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STRATEGIC PRIORITIES AND CONDITIONS FOR EXPORTS

OF SEAFOOD TO THE USA

(STRATEGISKE PRIORITERINGER OG FORUTSETNINGER FOR
EKSPORT AV SJØMAT TIL USA)

BY

SVEIN OTTAR OLSEN

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ABSTRACT

This work is the final report in an industry analysis of Norwegian export- and marketing companies for seafood. The background for the analysis is a desire for better knowledge of industry opinions, attitudes, strategic priorities and resource-based conditions and scope for strengthened and coordinated marketing of Norwegian seafood on the American market.

The work was financed by the Norwegian Fisheries Research Council (NFFR) as part of the study activities of "Forum USA" to strengthen the profile of Norwegian seafood on the American market.

In a fragmented industry there are often differences in understanding, motives, attitudes, strategies and resources. This is often also the case with Norwegian export initiatives for seafood. There is widespread agreement, however, that the Norwegian seafood industry must profile their activities in conjunction with correct and stable quality and ability to supply products continuously at suitable volumes.

PREFACE

Two new developments within export coordination on the national level can be found in "Project Japan" and "Forum USA". These initiatives have as objective to initiate and develop a joint and national profile for Norwegian seafood in these markets. Quality and origin shall form the basis for, and clear the way for, a better foundation for distribution and marketing efforts of individual enterprises.

As a part of this joint initiative, the Norwegian Fisheries Export Council (NFFR) indicated that they were willing to contribute financial support to research activities and reporting that can support industry information requirements in the work with joint efforts in Japan and USA. "The Tromsø environment" has through the Institute of Fishery Technology Research (FTFI) and the Norwegian University of Fisheries (SMART) been given reporting responsibilities for "Forum USA". A separate advisory committee from the seafood industry was appointed to give the researchers guidance and advice on industry demands and requirements.

This work forms the conclusion of the first part of the program where we have analyzed the export industry in Norway (internal industry analyses). A more concrete project was to clarify exporters information requirements, attitudes to cooperation and suggestions for joint activities in connection with "Forum USA". These activities, together with a survey of national framework conditions and cooperative initiatives within

export and internationalization, has been discussed and documented through earlier reports and working papers (Olsen 1988 a/b, Hanssen and Olsen 1988). Based on the results from these analyses, a number of studies on marketing, distribution and competition conditions in the USA (external analyses) will be done with continued financial support from NFFR.

This report includes a survey and analysis of the strategic priorities and conditions of the industry for marketing and distributing seafood to the USA. Internal structures, organization and resources are to some extent elucidated in a description of a selection of initiatives. The result is that different actors in industry and government agencies can get a better and more systematic knowledge of the exporters' choice of strategy, requirements, attitudes and resources towards marketing and cooperation in general, especially on the American market. With this basis and understanding, it should be possible to make better decisions and choices of joint initiatives with defined objectives. It will also be easier to evaluate the effect of these initiatives in the future.

The program also has as a secondary objective to tie researchers and the industry closer together. Applied market research is a new theme in our environment. If the industry itself is to receive any benefits from the research, trust and cooperation is required. In addition, communication, use of concepts, and mentality must be adapted so that information can be translated and used. Our work is therefore a part of a process

where we attempt to get a better and well-founded understanding of the exporters' thoughts and actions. The openness and friendliness we have met through this project has given us confidence in fruitful cooperation in the future.

Our special thanks therefore go to the people and companies that have participated in the study. They have given us much of their busy time for interviews and to fill out a comprehensive questionnaire. We also thank all others who have contributed to making this study possible. The project leader also thanks his colleague Berit A. Hanssen for useful commentaries to this report.

Tromsø, July 4, 1988.

Svein Ottar Olsen

Project leader.

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SUMMARY

(p.10)

In such an extensive report we have found it convenient to place a summary after each section and in a separate final section. This summary will very briefly state the background, methods and results of the project.

Similar to the seafood industry in many countries, parts of the Norwegian seafood industry are fragmented with a number of independent and smaller producers and exporters. Over 70 different companies were registered as exporters of seafood to the United States in one year. We are left with the impression that the Norwegian export industry has not progressed far enough with respect to adjusting to large customers, increased concentration, specialization, market orientation, increased costs for product development and marketing and higher entrance costs to markets with high growth potentials. This applies especially if Norway still wishes to be in the first division in a very competitive food market.

Two new innovations within export cooperation on a national level can be found through "Project Japan" and "Forum USA". These initiatives have as their objective to initiate and develop a joint and national profile for Norwegian seafood in these markets. Quality and origin shall lay the foundation and clear the way for individual enterprises to have a better foundation for their own distribution and marketing.

Based on the establishment of "Forum USA", we have in this work surveyed and evaluated marketing- and distributional

strategies , the conditional framework and strategic assumptions for the export of Norwegian seafood. The project can be designated as an internal industry analysis of Norwegian export enterprises. The background is that with better and more systematic knowledge of exporters choice of strategies, requirements, opinions, attitudes and access to resources, better evaluations and choices of possible cooperative efforts can be made.

It is furthermore the intention that authorities, fisheries organizations and exporters , on a voluntary basis and at their own initiative, shall develop plans and implement measures to enhance value-production and create a joint Norwegian profile in our export markets. In a strategy process like this it is important to know where the industry stands and what their future priorities are. In two earlier working papers we have surveyed concrete information requirements, motives for cooperation and proposals for joint activities under "Forum USA". This report is more general in nature and can therefore introduce measures other than cooperation with the USA.

We have used a combined research design and carried out literature studies, document analyses, interviews and data from questionnaires. Of our target group of 48 "active" exporters of seafood to the United States, a total of 30 filled out an extensive questionnaire. This gives a response percentage of 62.5%. However, if we look at sales value, we received replies from concerns that represent ca. 90% of total exports to the US

in 1987. In addition to the mail inquiries, we also interviewed a total of 24 key people in 16 companies.

Correct and stable quality is without comparison the most central element in the mission of Norwegian processors and exporters. Next follows the ability to deliver products continuously and in sufficient volumes. For companies working in trading where quick decisions are essential and there are many smaller customers, trust and flexibility are of great importance. It will be important for the seafood industry to cooperate with respect to systems, organization, control, competence and rewards which are being built up under a joint Norwegian mission around quality, ability to deliver and trust.

We can find a clear division between companies with a wide and varied product selection (for example the large companies), and smaller companies with specialization within salmon, shrimp or scallops (shellfish). The Export Act spells out limitations to what is being permitted to be exported to the US. As many as 80% of the companies stated that they had a high brand profile for their products, but then defined this to include corporate profiling of packaging and large packages to institutional customers, wholesalers and importers.

USA followed by France and West Germany were priority areas and listed by the companies as their most important single markets. These markets together with Japan, followed by Italy and Spain, will be given special attention over the next few years.

In the area of internationalization, only Frionor of

the Norwegian companies has its own processing company in USA. However, Norwegian companies have seven sales offices in USA and six companies that can be called sales representatives. There is little interest for establishing own processing plants, but several considered it likely that they would establish their own sales offices there.

We have in this work quite thoroughly studied structural and organizational patterns at ca 30 Norwegian export enterprises (seven of these are described in Section 4). With this information and the data from our questionnaires, we have arrived at three "prototypes" of export enterprises. In their pure forms we have given them the following designations:

- "Marketing companies" with their strategic scope on secondary processing and marketing of brand products.

- "Sales and trading companies" with their strategic scope on sales and trading of products from independent processors and cooperating companies.

- "Individual processor- and export companies" is the third group which in many ways is between the two previous groups. They have their strategic scope on the production side but also sell and trade their own products and those produced by others.

Choice of customer segments varies much from company to company. In the United States there are two companies (Frionor and Norway Foods) that are putting considerable weight on proprietary products aimed directly at the final consumer through the retail link. A larger number of firms are targeting larger or smaller units within the restaurant and institutional sector. Exporters of fresh salmon and trout are chiefly targeting importers and wholesalers in central fish markets. This group would like to access the retail market in parts of the US.

In our opinion, a change in the distribution pattern with direct exports to restaurant and supermarket chains would require readjustments, structural changes and cooperation among Norwegian exporters. Over 60% of those questioned felt that cooperate efforts could contribute to achieving a greater force in the distribution link and , at the same time, come closer to the final consumer in the US.

Market competence becomes lower the closer to the final consumer an exporter comes; something that is of course due to the fact that most exporters do not feel they have a direct need for such information, with the distribution strategy they have in this market. With respect to market analyses, the industry can see a requirement for competitor analyses, specific product and segment analyses, studies and reports on distribution links and knowledge of buyer and consumer behaviour.

Most of the sales are made through a few steady customers. Several enterprises pointed out that business morals in the US

were hard, and many complained about systematic late payments from some customers. Buying and selling is often based on short-term

agreements, which is due to the fact that the customers work in a bulk market of fresh products. This requires quick decisions and flexibility. Trust through social contact and continuing customer visits are important in reducing risks and transaction costs.

Norwegian enterprises use collectively somewhat over 50 mill. kroner for advertising and marketing support in USA (1987). Most of this is used by Norway Foods in the marketing of Norwegian sardines and through Frionor's entry into the retail market. The other companies use their marketing funds for participation in fairs and customer visits.

Norwegian exporters see the competition from the seafood industry in other countries as the most important element in a future market. To a lesser degree they are afraid of competition from new entries or from the food industry in general. Canada, Iceland and USA were given as the most important competitor countries. In the aquaculture field, there were many that mentioned Chile and Scotland. These countries, and a small number of companies, should form the basis for our competitor surveillance. In addition we also feel that the meat and chicken industry should be monitored to a higher degree than they are now.

Freight costs and risk (price, currency exchange, competition) are evaluated as major barriers for a future

success in the American market. Government regulations and language and cultural differences are not considered by the industry as major problems for exports of seafood in the near future.

Quality was without comparison considered to be their strong point by most enterprises, while close to one half mentioned continuity and supply management. The third most important element was experience or competence. A few had their strength in reliability, flexibility or their own brands. On the other side, they rated their competitors strong with respect to price but low on quality.

The technical capacity in the Norwegian seafood industry is high and capacity utilization is low. We can see this in connection with a low degree of secondary processing for many products. Interest and motive for investing in processing capacity seems to be greater than the interest for investing in marketing activities. We have also registered clear tendencies towards "volume disease" in a number of enterprises. Most of the companies have a satisfactory supply of labour. However, several pointed out their requirements for competence in the field of product development.

Profitability and solvency are low in large parts of the industry. The trading business is a hard low - margin business where free competition and low barriers press margins down to a minimum. Low fixed costs and flexibility makes it possible for these companies to survive on their low margins.

Exporters think that the climate for cooperation is so-so and can be better in the future. The most important motive for cooperation were large-scale advantages in marketing, but also cooperation in reducing internal price competition and reducing ^{in deliveries} uncertainty_A was mentioned by many as very important.

Within "Forum USA", joint advertising and PR activities to achieve a better and clearer profile for Norwegian seafood were listed as the most important individual measures. Quality assurance, building of competence, fair attendance and joint market analysis and surveillance were also given high priority by more than half of those questioned. More plant-specific measures like product development, test marketing and support towards travel and customer visits were given low priority.

Joint information exchange and market surveillance can be achieved in many ways. We will request the industry to hire one or more highly qualified people who on a continuing basis can monitor threats and opportunities in the US market. In addition, the person (people) hired should build and retain a tie to Ministry of Foreign Affairs personnel, research organizations, universities with Norwegian students, Americans with Norwegian interests and key personnel in Norwegian companies with establishments in USA.

We are left with a conception that if there is going to be a readjustment and cooperation in quality, marketing, profiling, market- and competitor surveillance and general buildup of competence, internal marketing of these elements must be

intensified. Attempts should be made to foster solidarity through joint understanding and remuneration systems that promote the specific measures leading to the stated and desirable goals.



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1. INTRODUCTION - BACKGROUND

The business environment of the fishery and aquaculture industries is to a growing extent characterized by heightened competition and new competitors active across industry sectors and national borders. Increased demand, high prices and good profit opportunities within the seafood sector have led to more interest and investments by established and new fishing nations. Large and multinational companies are entering the fishery and aquaculture industries at a fast pace.

In an otherwise stagnant and very competitive food market, we also see trends toward greater concentration. Large companies are growing bigger, and small ones are shrinking. Growth within individual companies often takes place rapidly and unexpectedly through acquisitions of companies, trade marks and market shares (Business Week International, Jan. 12, 1987). The food industry is not excluded from the structural changes now taking place in industries globally. If we look at distribution, for example, we see that three supermarket chains control 35 % of the total food sales in England. In the USA, the supermarket chains of Safeway and Kroger have 1,700 and 1,400 sales outlets, respectively,

while Long John Silver has 1,400 restaurants in its chain (Food Institute Report, 1986).

Since large chains require corresponding strength, distribution and marketing support, quantity, continuity, quality and long-term contracts, these become conditions that in many ways will affect and influence the strategic and structural choices of Norwegian exporters and producers of seafood.

In order to achieve greater productivity and to meet tomorrow's problems and challenges, increased cooperation, integration and internationalization will become necessary measures for the Norwegian seafood industry. Cooperation often offers advantages in the form of less uncertainty, better control and coordination, reduced competition/opportunism, advantages of scale and the opportunity to specialize.

Compared to certain sectors of Norwegian industry, the Norwegian fishery industry possesses many long-established traditions of various types of cooperation, both within export and marketing and in fishing and processing. It also has its own code of law (Hallenstvedt, 1982), and this has in many ways caused the fishery industry to sometimes associate cooperation with "centralization" and "dictatorship".

When it comes to voluntary cooperation, and the ability to adapt and to utilize new forms of cooperation, there are many who wish the situation was better than it is. This becomes particularly relevant when we consider that during the last few years changes have occurred in internal and external business conditions, which have brought forth new motives, and different needs, for new cooperative and organizational forms.

This is also reflected in the Norwegian and international business community in general, where the last few years we have seen examples of a number of new cooperative efforts within industrial sectors, between sectors and across national borders. Business mergers in the Norwegian forestry industry, and in the food industry with Nora's cooperation with the Swedish company Procordia AB, are examples of ventures that were established in order to strengthen competitiveness abroad and gain advantages through internationalization. While the traditional cooperative measures often were regarded as defensive steps with the main purpose of limiting competition, we now see a more definite move towards more offensive measures where the main purpose is to strengthen competitiveness abroad.

Claims have been made from several quarters that a number of Norwegian fish products lack profile and consumer identity in several of our markets. In the food product market we also see a more definite trend towards the marketing of brand-name products.

Higher costs for sales and marketing activities now make it increasingly difficult to gain a foothold or create a profile or identity (brand) in many important markets.

1.1 Collective marketing of Norwegian seafood in the USA

All these factors help make cooperation among Norwegian exporters of seafood a more topical subject. In the last two years, two programs have been set up for collective marketing of Norwegian fish in international markets. "Project Japan" and later "Forum USA" both have the objective of gathering together national forces and resources in order to develop and strengthen the position of Norwegian seafood in Japan and the USA, respectively.

The choice of the USA as a target market is not coincidental. In 1987, total seafood sales were around 15 billion US\$, and this figure is expected to grow to 25 billion US\$ (retail prices) in 1995. Within just a few years, the USA has grown into our most important export market for seafood. Reduced catches and a growing demand have made the USA the world's second largest importer of fish and shellfish after Japan. In 1986, the import of edible products was around 32 billion Nkr^{*}. In 1987, Norway was the ninth largest supplier of seafood to the USA ("Seafood Leader", Spring, 1988:209). With a 3 % share of imports, Norway is not a very important participant in this market, although we

* Transl. note: Nkr = Norwegian kroner

have satisfactory market shares within certain segments of this market (sardines, fresh salmon and frozen cod fish). Experts in the seafood industry estimate that the USA in the near future will have to import 80 % of its seafood. Strong growth and good profit opportunities have also created intensive competition for the best customers.

As shown in Figure 1, Norway's export of seafood to the USA increased from 320 million Nkr in 1980 to more than 1.4 billion Nkr in 1987. It was primarily the export of fresh salmon that was responsible for the growth, from zero in 1980 to about 475 million Nkr in 1987. A strong increase in Norwegian landings of shrimp, combined with failed fishing for cold-water shrimps in the USA, had the result that the USA, in the period 1983-1987, became the second most important individual market after Great Britain for Norwegian shrimp exporters.

Besides fresh salmon and frozen, cleaned shrimps, frozen fillets/blocks and canned goods are our most important product categories for export to the USA. Variations in landings and in the prices of shrimp and cod have created large fluctuations in the export of these products in the past year. From 1986 to 1987 the value of frozen fish increased from 190 million to just over 550 million Nkr.



Figure 1. Norwegian seafood exports to the USA in 1980-1987.

1.2 Objectives and problem areas

In this report our focus will be on problem areas related to exporters' activities and ideas about the USA market, with the intent of identifying and evaluating marketing and distribution strategies, limiting conditions and strategic prerequisites for seafood export to the USA. Our basis is information about needs, ideas, attitudes and general limiting conditions that may assist in improving the decision basis, as a result of better knowledge about the industry's choice of strategies, organization and supply of resources, for marketing and export cooperation and for

individual efforts directed towards the American market. As far as possible, we will map out the terrain within the Norwegian seafood export industry, so that public authorities, sector organizations and the industry itself will gain better insight into the export business, and the ideas and potential of its members for export cooperation and internationalization.

Forum USA has the practical goal of giving Norwegian seafood a higher profile and identity in the American market. Quality and origin ("Seafood from Norway") are seen as the main pillars in this work. The Forum also has an ideological objective of increased market orientation in all aspects, from catch to marketing. The basis for a greater degree of vertical cooperation will also strengthen the basis for horizontal cooperation between exporters.

As a stage in the work to establish and implement "Forum USA", the Norwegian Fishery Research Council declared itself willing to support the project with funds for research and studies. In order to provide the parties involved in the export industry and public administration with a better basis for their decisions and to provide opportunities for subsequent evaluations, we carried out a preliminary project that included the following tasks:

- To identify the needs of exporters for information and

studies about conditions on the American seafood market.

- Attitudes towards cooperation and proposals for collective activities associated with "Forum USA".
- To identify national conditions/prerequisites for export and internationalization with the emphasis on financial means, expertise and export cooperation within industrial sectors.
- Identification of strategic priorities and prerequisites for marketing and distribution of seafood to the USA.

The background to the first problem area was to identify and define the most concrete and urgent needs for information and studies on marketing and distribution conditions in the USA. One of the goals of this work was to identify, evaluate and prioritize studies supported by NFFR (the Norwegian Fishery Research Council), among others, in the research portion of "Forum USA". The results of this work are presented in a separate report (Olsen, 1988a).

In our work to plan the objectives and means of the practical implementation of "Forum USA", it was also necessary to carry out a preliminary project where the exporters were given an opportunity to present their opinions and ideas. The follow-up group of the Forum viewed it as important that the program should have

a clear and unambiguous strategy, where the various activities would be the object of discussions and be prioritized in a sensible manner. Based on the experiences of "Project Japan", it was considered important that the decisions not be forced upon the exporters without first getting to know their situation.

The second problem area is highlighted in one of our progress reports (Olsen, 1988b), where we have analyzed the exporters' ideas about the climate for cooperation in Norwegian fisheries and their opinions and expectations of "Forum USA". We also identified their motives for cooperation and what activities they thought should be prioritized or be excluded from a collective forum for the American market. In this report we will discuss marketing cooperation specifically only to a minor extent (Section 8.5) and we therefore refer to the progress report for a more detailed discussion.

The various parties involved in the Norwegian seafood industry differ in size, product spectrum, expertise, strategy choice, market priorities and attitudes to cooperation and reorganization. In a mixed economy like the Norwegian, and with the different types of organizations that exist in our fishery industry, it is hardly easy to get different interests and parties to pull in the same direction or to walk in step with each other.

In order to be able to establish any cooperative forms or measures, to carry out deliberate reorganization and develop feasible market strategies, one should first know where one stands and what one wishes. We thereby recognize the need to identify the limiting conditions, strategic prerequisites, opinions and ideas that exporters and collective organizations have for their own activities and collective measures. It is only when one knows where one stands, that the basis for future orientations becomes clearer. We also believe that the various participants will gain a clearer understanding of, and insight into, how other companies think about the very conditions that they themselves worry about daily.

It is these conditions that are the basis for our last two problem areas, namely the desire to describe and discuss the general conditions of the exporters, their motives for cooperation, structural features, strategic priorities and opinions about export, internationalization, competitors and the competitive climate for Norwegian seafood on the American market. What the various participants think and believe will not only form the basis for reorganization and structural changes in the export industry in general, but also for what activities they will support in any future cooperation between individual participants, the industry organizations and other branches of industry.

In one of our reports we have discussed public and industrial sector measures to promote export and internationalization (Hanssen and Olsen, 1988). This report will therefore concentrate more on the active part of the export industry, i.e. the participants that are active exporters of Norwegian seafood to the USA. More specifically, we will identify and describe:

- The controlling strategy and the strategic prerequisites/scope of the exporters. We will particularly emphasize opinions, evaluations and priorities for marketing and competitive strategies.
- Internal structure, organization and cooperation, as well as resources and capabilities in the form of personnel, expertise, capacity, etc.

The work was set up as a primary study, where we used a questionnaire combined with a selection of structured interviews. We also used secondary data. We employed the same investigative design and information gathering to highlight all the above-mentioned problem areas. In Chapter 3, we will discuss the choice of design and data gathering. This discussion applies to the entire work, and was not explicitly discussed in our previous progress reports (Olsen, 1988a, b, Hanssen and Olsen, 1988).

Before we begin reporting the results of the primary study, we will review our choice of theoretical focus and a professional

frame of reference based on relevant literature (Chapter 2). It is this discussion which forms the basis for what type of questions we included in the study and for the design of the questionnaire.

Chapter 4 contains a description of a selection of Norwegian export companies, while Chapters 4, 6 and 7 contain the strategic ideas, evaluations and priorities of the industry. Chapter 8 gives a brief outline of the internal industry conditions and capabilities, such as capacity, personnel, profitability and solvency. To some degree we will here discuss the possibilities and reasons for establishing ties with external capabilities through marketing cooperation.

2. STRATEGY AND BUSINESS STRUCTURE: A THEORETICAL FRAME OF REFERENCE

There is hardly any doubt that businesses require strategies in order to give themselves a direction, to outsmart their competitors and enable themselves to move in turbulent and changing environments. Strategy involves not only effective use of resources (doing things right), but it is just as important to think through actions by asking questions about whether the company is really doing the right things, e.g. investing in the right markets with the right products.

Strategy is also important for where and when one should concentrate one's strength and for coordinating one's activities. In cases where a company does not have a clear mission, the probability is great that the employees and the administration are running in different directions. Strategy provides the basis for consistency in actions and control of the implementation of activities.

A strategic analysis of Norwegian exporters will provide us with knowledge about a number of conditions in the different companies, how they perceive themselves and their environment, as well as thoughts about the present and plans for the future. But most of all, we are interested in their priorities with regard to

markets, products, marketing methods and internal resources and capabilities.

Since strategy is an abstract and diffuse concept, before the actual analysis we will discuss the concept and a theoretical frame of reference. The purpose of such an examination is to ventilate problem areas and give the content focus and a professional basis by providing greater understanding and better motivation for which groups of variables (or strategic elements) one should include in the analysis. Without such an examination the danger is great that we do not ask the right questions or do not study the right elements.

2.1 Strategy as plan, ploy, pattern, position and perspective

The concept of strategy has many and partly divergent uses (Fredriksen and Grønhaug, 1987). Much of the reason for this is probably that the concept is used in different contexts, with different foci and often without any particular professional or theoretical basis. The concept of strategy has its origin in military usage and the Greek concept of "strategos" which means "the art of the general", while in the period following the Second World War it has become one of the most used concepts in businesses and in literature on industrial economics.

The conceptual content of the idea of strategy has only to a minor extent been the object of scientific definition (Venkatraman and Grant, 1986), but in the literature we find a number of different approaches and attempts at definitions. On a very general level we have, for example, Mintzberg (1987) who sees strategy in the light of four dimensions: plan, ploy, pattern and perspective.

Strategy as a plan signifies a deliberate and projected course for future action, or a form of guidelines to control a situation. While the plan is deliberate and projected, it is not unusual to find examples of plans as pure loys, where the company gives false signals to its surroundings: first and foremost to its competitors. In a strategic analysis it is therefore important to ask oneself if the informants always say what they mean, or mean what they say. This means an active and deliberate use of a research design that makes it possible to enter into the way of thinking of the informants to discover their intentions and to interpret these in a sensible manner.

Strategic pattern, according to Mintzberg (1987), contains a more definite component of action - a stream of actions - than does the plan. Intended strategies (plans) are not always realized, while a number of actions are implemented without being based on the planned strategy. It is the consistent pattern of the

actions, planned or unplanned, that form the basis for a company's strategic pattern.

Strategic position refers to how the company is organized or tied to its environments. In the literature, we often find the concept related to what can be considered internal and external resources, but also included are the product markets or niches in which a company invests. In the context of analysis, it is of interest to find out how the companies arrive at their position, and what measures they implement to protect themselves and meet the competition of intruders.

As we will discuss later, this definition is closely tied to the approach most often used in the literature on business economics. For example, we here find strategy discussed as a company's or an industry's relation to their environments, and the associated process of change in internal structures, systems, processes and competence (Holbek, 1984:49). Porter's (1985) definition and use of value chains and strategic scope are also included under this approach.

While position involves an attempt to place the organization in its external environments, the concept of perspective defines strategy as it is perceived by the internal organization - what managers and personnel perceive as their relation to their environment. In this context, we often find the use of such

symbols as a company's character, personality, ideology, culture or driving force. The last definition confirms the assumption that strategy is an abstract concept which exists only in the heads of central participants within and outside of the company. The concept of perspective also means that strategy is divided among several members of a company.

The above approach also reminds us of the fact that environments are not given and "objective", but that they, like other abstract and concrete stimuli, are the objects of perception and interpretations. It is how the company perceives and interprets its business, its environment and relations to its environment that will be the object of the strategies that are developed and the measures decided upon. In this way, the ability to interpret, understand and implement become important components of strategic thinking. Ability and a will to anticipate events in the environment, to influence, control or adapt to these, would be important factors for success.

2.2 Problem areas and business strategy content

Holbek (1984) points out that the definition of the concept of strategy can be related to an analytic unit and a problem area. Business strategy is based on the company as a unit (the company as a financial and legal unit). This is of crucial importance to what problem areas one will concentrate on. Business strategy in

a narrower sense deals with problem areas and solutions that concern the company as a unit, even if solutions to such problems may require that attention is directed towards sections of the company (divisions or units of responsibility). In our work, we chose to analyze and refer to the individual company (e.g. Chapter 4), but we also discuss aggregate viewpoints, evaluations and strategic choices.

The problem area of business strategy includes the complex of broad, unstructured problems that must be solved in order to realize a desired interaction between the company and its environment. We often hear of problems with long-term consequences that require solutions by many organizational functions. The more specific problem areas in the concept of strategy often refer to choice of combinations of products and markets and forms of marketing (Holbek, 1984). Our strategic problem areas are focused around marketing, distribution and internationalization of Norwegian seafood on the American market.

Pfeffer (1987) distinguishes between "the content aspect" and "the process aspect". The process aspect involves formulation and implementation of a strategy, and is more preoccupied with how one is to develop and implement a rational and deliberate analysis and planning process. Holbek (1984:44) defines the process aspect as follows: "Strategy is specified through a

series of steps that must be taken in order to reach more exactly defined goals".

In this work we will to some extent discuss the process aspect by describing the strategic development of individual Norwegian export companies. This will involve the time aspect, or timing, in the evaluation and choice of strategy. In the description of various stages of the growth and internationalization process of organizations, the time aspect will be of central importance (Chandler, 1962, Thorelli, 1977). A company's capacity to learn with time is also an aspect that can be considered strategically important.

Pfeffer (1987) further defines "the content aspect" as in what markets one is to work (market priorities) and how one is to relate to these markets (e.g. marketing priorities). A similar distinction is found in Astley (1984) who divides "the content aspect" into corporate strategy and activity strategy. The first concept deals with what markets or business areas the company is to be involved in. Activity or business-level strategy is more concrete in the sense that it focuses on competition within a specific product/market segment. In this way, we can say that corporate strategy is concerned with in which environment one is to work, while business-level strategy to a great extent focuses on how one is to compete within the chosen and given environments. For example, should the strategy be based on low costs,

product differentiation, or should it focus on customers. This division of the content of the strategy concept is also found in Galbraith and Schendel (1983).

If we use Holbek's (1984) set of concepts, corporate strategy involves analyzing and formulating the ideological basis of a company, or "mission" if we use the English term. A company's mission must answer such questions as "what area of activity are we involved in - what type of company do we have, and what type of company do we intend to create?" The mission of the company will inform internal and external interests about the basis for a company's existence, and about its fundamental ideas and self-perception.

While the formulation of ideas is based on company goals and conditions, Holbek (1984) emphasizes that corporate strategy must also include an external analysis of a more specific character, as well as an internal analysis. For this purpose, he divides the strategy concept into, for example, portfolio strategy, activity strategy, diversification strategy, integration strategy, political strategies and project strategies. What Astley (1984) calls business-level strategy, Holbek (1984) defines as activity strategy or activities directed towards specific product-market combinations, called 'selements'.

In other words, the content of the strategy concept differs depending on what one wishes to emphasize. On a purely general level, strategy involves a company's or industry's relations to its environment. The term 'relations' may include adjustment, influence, reaction pattern, passivity or other forms of interactions. In other words, business economical analyses will relate to four main groups of variables: the environment, the business variable, the strategy and the result variable. In the model below, we entered these main groups in a simple concept model, which we will discuss in greater detail.

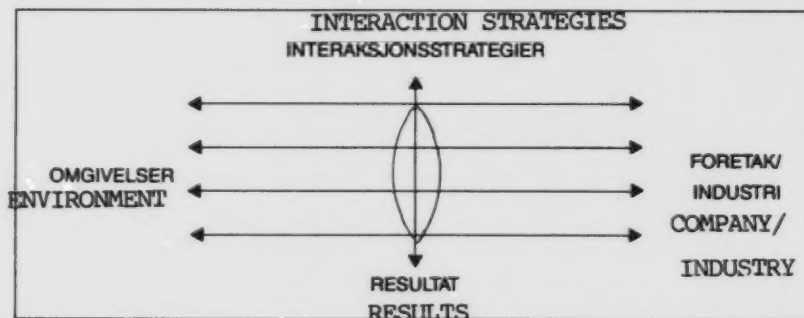


Figure 2. Concepts used in business economical analyses

The model can be used on different levels (company, industry) and the range of concepts can include different types of environment. In our analysis, we want to look at individual companies at the same time as we also must form an impression of an important

segment of the entire Norwegian export industry involved in seafood. Of the environmental elements, we are primarily interested in markets/customers and competitors. To some extent we will deal with participants in cooperative relations. Since the fishery and aquaculture industries are very dependent on raw materials, we will also discuss raw material supply or suppliers.

The model further attempts to show that it is the ability of the organizations to formulate, maintain and implement strategies and structural changes that fit the company's environment which will determine the results. In this way a company's internal resources and capabilities to deal with threats and opportunities in its environment will be included. A plan for a good strategy is of little use if one lacks the resources to implement it. It is the adjustment between external environments and internal qualifications that often are of crucial importance to a sensible strategy. Below we will discuss in greater detail the dimensions of the various concept categories, in order to better adapt them to our problem areas.

2.3 Marketing environment

The general concept of environment is discussed and described in great detail in the literature on organizations (Aldrich and Pfeffer, 1976, Scott, 1981, Pfeffer, 1982). The same applies to how the various theoretical approaches (the resource dependency

perspective, population ecology/natural selection, networking theories) deal with the environment in different ways. Often discussed is the level of the analyzed units (individual company, population or network).

In studies of businesses and organizations, we often find a distinction between the external environment (macro-environment) and the activity environment that the company deals with more directly (Dill, 1958). The activity environment can be separated into groups such as customers, suppliers, competitors and regulating bodies. The "activity environment" concept is here viewed as part of the total or general "environment concept".

Thompson (1967) bases much of his description of the relation between organizations and environments on the domain concept. Domain is used differently by different researchers (Starbuck, 1976), but is often based on the traditional definition of Levine and White (1961). They viewed 'domain' as the demands the company makes through the products in which it specializes, the customers it serves, and the services (operations) it performs. In other words, here too we find that the relation between product and market is very important, in addition to the definite limits set by the choice of market, product or operations (functions).

While the traditional literature on organization and administration viewed the environment as an "objective" element, originat-

ing externally, the usefulness of analyzing environmental properties as socially constructed elements (Astley, 1984) has recently been discovered. This means that the environment is viewed differently depending on the focus and "cognition" of the organization (see Schwenk, 1988, for a presentation). Based on this viewpoint, opportunities and threats are not just something one always finds, but also something that one creates, produces and influences. Furthermore, it should be clear that the ideas that a company has about its environment are coloured and motivated by the company's internal conditions and strategic focus.

This also means that the organizations themselves can define their boundaries with the environment, and together with other organizations enter into a network that can shape and develop their general conditions to a greater degree. In our analysis we will to some extent touch upon the capability and will of companies to think and act collectively.

We consider this to be essential work for projects such as "Forum USA" and similar cooperative efforts, such as collective publicity committees and marketing councils. In these and other contexts we also have to deal with the problem of what belongs to the individual company and what is a part of a company's environment. Therefore, in business-economic literature the concept of "the boundaries with the environment" has been introduced which

tries to show that there exist more or less clear boundary limits between a company and its environment.

In our work, we have a market research perspective. Dill's (1958) approach with focus on elements in a company's activity environment, suits our problem areas in a satisfactory manner. Markets and customers will be an important activity group which we will look upon in relation to businesses and the export industry. We will first discuss market countries in general, but will essentially focus on conditions in the American market. Here we will also discuss more limited client areas.

The other group of environmental participants are the competitors, operationalized as a country or a company. Also here we will focus on the American market. Within this group of participants we will also discuss how each individual company has adapted in relation to other Norwegian exporters with respect to competition and cooperation.

Suppliers are an important environmental variable in an industry that is as raw material dependent as our fisheries. With the organizational structure that exists in this industry, producers (or food fish plants) can be regarded as the supplier group for most export companies. In other words, we here encounter both raw material suppliers (fishing/catch, purified fat producers) and suppliers of products and semi-finished goods (processing plants

and food fish producers). But here as elsewhere it is the organization of activities and functions that determine what is included in a company's environment, in this case the supplier system. As we will discuss later on, we find fully integrated companies or formal cooperative arrangements where in reality it is the natural resources or the authorities that put direct limits on a company's raw material supplies. In our work we will only briefly discuss a company's relations to the regulating bodies or authorities.

2.4 Typologies and approaches to marketing and competitive strategies

In a review article on various approaches to the study of organizations and environments, Astley and Van de Ven (1983) point out how one way of studying a phenomenon often leads to other essential elements being overlooked: "A way of seeing is a way of not seeing". The need to integrate various schools of theory is therefore very important in organizational research.

Schendel and Hofer (1979) developed their strategy concept around four components. Scope, which defines product/market segments and geographical areas where the company is active. The second component involves resource utilization, while the third deals with competitive advantages. The last component is called synergy and represents economic advantages achieved by combining in-

dividual elements which on their own do not produce the same effect as when they are grouped together.

Other often used typologies were described by Miles and Snow (1978) and by Scott (1981). McDaniel and Kolari (1987) tested the typology of Miles and Snow (1978) against bank services, and found it suitable for analyzing and understanding marketing strategies.

Competitive strategies

Based on the competitive situation experienced by industry and commerce since the mid 1970's, business-economic literature and research have focused heavily on competitive strategies. Porter (1980, 1985) has been the leading theoretician in the development of theories and concepts in this field. This applies in particular to the area where the focus is on how a company should position itself in relation to its competitors and markets.

Generally speaking, there are two ways of competing: Through low costs or through differentiation of products and services or distribution methods. Porter (1985) also includes choice of focus or target group. Here one can chose whether one wants to serve a limited target group within the industry in preference to others, and in this manner achieve a competitive advantage.

Of a total of three generic strategies, cost management is the clearest. Based on large-scale production advantages, technology, competence, special supply of raw material or other advantages, one can sell one's products and services at lower prices than the competitors. Low costs (price management) is very often correlated to high volume.

Differentiation means that the company attempts to be unique to the customer in one or several areas (product, service, distribution, marketing). The areas we deal with here can be product properties that the customer is willing to pay for, and that make the company's product different in one way or another from other products that could be substituted for it.

Customer focus means, as previously mentioned, that one selects a customer group or segment which one serves in preference to others. In ordinary usage, this can be called niche strategy or domination (Webster, 1986). Regardless of what type of strategy is chosen, it must be based on the relative capabilities or advantages of the company.

Traditional marketing administration is often based on four central groups of marketing measures: product, distribution (place), price and penetration (communication). These four P's were first popularized by McCarthy (1964) and were later expanded to include other elements such as personnel, physical facilities,

process management (Magarath, 1986) or power (e.g. Kotler, 1984). Placed in a business theoretical frame of concepts, one can also call these strategies marketing forms (e.g. Holbek, 1984), activity strategy (how) (Astley, 1984). In the actual analysis we will return to the operationalization of the various marketing strategies with the emphasis on the approach we often find in marketing literature.

Organization and strategic scope

The concept of scope has been used in economic theory to define limits between the activities that a company performs within its area of authority and those that it achieves through market transactions (Coase, 1937). Later research included a company's degree of diversification in the scope, while we, in reference to Schendel and Hofner (1979), defined scope as the choice of a product/market segment and a geographical area.

Porter (1985) uses the concept to define the scope of the segment or group of segments that the company services. Segments are defined according to product spectrum. In addition, Porter defines the industrial scope, i.e the industrial sectors with which the company competes when a coordinated strategy is used. The third form of strategic focus deals with the vertical scope, or activities related to suppliers (up-stream activities) and distribution channels (down-stream activities). As a result of

the increased degree of internationalization and globalization in most industries, Porter (1986) also defines the geographical scope, or the geographical areas where a company employs its coordinated strategies, as an important part of his strategic focus.

The impact area can be narrow or wide, also with respect to products, markets, suppliers and competitors. A wide impact area allows a company to carry out several internal activities. It allows the company to institute relations between value chains that serve different segments, geographical areas or related industries. For example: a joint sales department can sell products from several units of the company, or a joint brand name on a global basis.

A narrow impact area can narrow the chain to serve a particular segment, geographical area or industry in order to achieve lower costs or serve target groups in a unique fashion. The competitive advantages rest on differences between products, customers and geographical areas. The width, or how narrow an impact area is, depends on the competitors and is relative.

The segmentation scope deals with the range of products and customers. Differences between segments favour a narrow impact area, while interrelations between value chains that serve different segments require a wide impact area. In this way,

certain large-scale production advantages can be achieved, even in markets with different preferences. Today we see several signs that segmentation is becoming less country-specific and to a greater degree is based on the differences between customers or consumers. Many companies try to design global segmentation strategies of a type where they serve a narrower segment on a global scale, as for example Daimler-Benz and Rolex.

The vertical scope involves to what degree activities are carried out within the corporation or by independent companies. A company can purchase components instead of producing them itself. In the same way the distribution system can perform a number of service and marketing functions.

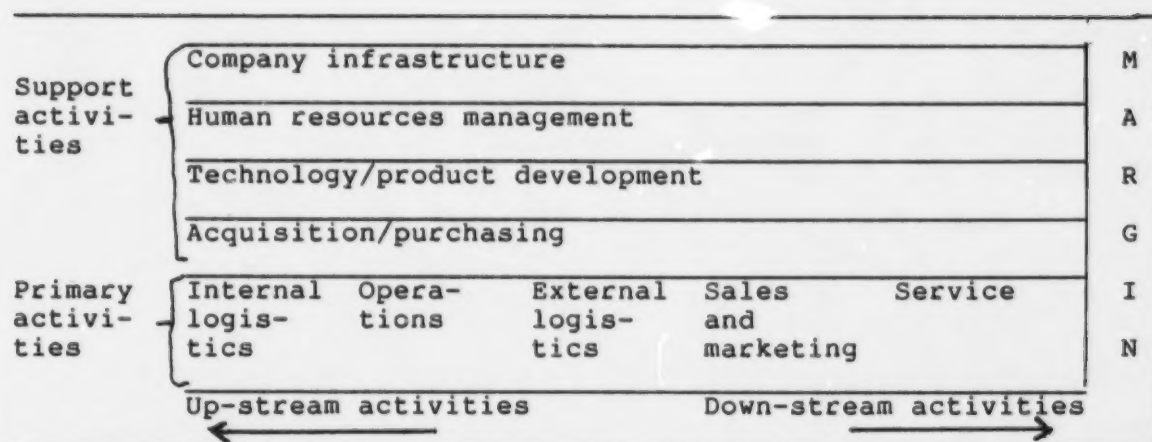
The geographical impact area can be interpreted according to regions, countries or groups of countries. This can enable a company to share or coordinate value activities that are used to serve different geographical areas. If a company produces processed goods in France and the USA, it can sell goods at lower costs within the EC and in the American market.

The industrial scope refers to the degree that related industries compete with a coordinated strategy. The way we chose to interpret the term, the food industry can be an important competitor to the seafood industry. In a more restricted sense, we can look at the seafood industry in our competitor countries as com-

petitors, while an individual company may regard its neighbouring company as its most serious competitor, even on the international market.

In his analysis of an individual company, its activities and competitive scope, Porter (1985) used the value chain as a frame of concepts and reference. The value activity chain is used to divide a company into concrete activities that must be carried out in order to develop, produce, distribute and market goods, services and support activities. Porter (1985) divides these value activities into support activities and primary activities.

The support activities consist of the company's infrastructure, human resource management, technology and product development, acquisitions and purchases, etc. The primary activities are those activities that are included in the physical manufacturing (production), distribution and marketing. As the name indicates, support activities build or support the primary activities, individually or as a complete chain. Porter (op.cit.) also divides primary activities into up-stream activities (internal logistics and production) and down-stream activities (external logistics, sales, marketing, service and customer follow-up).



(Source: Porter, 1985, 1986)

Figure 3. Elements in a general value activity chain

The value chain in the figure above is of a general character and must therefore be adapted to different businesses and sectors. Within large and diversified companies one should also specify and limit the value chain to various segmentation scopes or geographical scopes. The value chain for a prototype of a Norwegian export company in the fishery sector would also very likely differ from that of a traditional production company within the same sector. Consequently, the value chain would also be coloured by what group of companies one chooses to study.

According to Porter (1985:58), it is the relationship between the competitive scope and the value chain that defines the limits of a company. Strategically different company units should be analyzed and evaluated in order to determine whether they should be

separated from, or integrated into, related segments, geographical areas or industrial areas. For an export company, it would be of interest to determine whether it should establish its own sales offices in some of its markets, and if so, in what markets.

2.5 Strategies for internationalization and globalization

Since the mid 1950's the value economy has shown a strong trend towards increased trade across national borders (Porter, 1986) The percentage of the gross national product derived from export/import activities increased steadily in a number of Western countries. Literature on business internationalization and globalization is scattered and occasional, but often includes themes related to export marketing, establishment of sales and production units abroad, control and management of foreign business units, activities to procure capital, technology, marketing know-how, etc., on the international market.

Research is in its infancy and the principal theme (Strandskov, 1987) is often international transactions (e.g. the purchase of goods and services across national borders) and the management and control of foreign subsidiaries. We also find a number of descriptions of the development of companies from small and regional businesses into larger, integrated, multinational conglomerates (the internationalization process). In this process, we also see the transition from indirect export, via direct

export, to the establishment of company-owned sales and production units in the market countries.

Research in the field asks questions about, e.g., reasons and motives (why) for internationalization. For the Norwegian fishery industry, the answer is almost obvious: a home market that is small and limited in relation to natural stocks and traditions. On the other hand, the reasons for giving priority to a market may differ depending on factors such as distribution, spreading the risks, demand situations, etc.

For us it is particularly interesting to examine more closely internationalization forms (how) and degrees (where and when). When it comes to strategies, we often find little difference in concepts and theories compared to the traditional market theory. Product development, positioning, distribution, pricing and market penetration are also similar to what we have discussed before.

On the other hand, research in the internationalization process is more specialized in form and content. We refer to Strandskov (1987) for a review of the concepts and theories in this area. In our work we will discuss this question to some extent in our description of individual companies.

Porter (1986) also points out that international strategy is a type of geographic scope and an analysis would be fairly similar regardless of whether a company is competing locally, regionally or nationally. It is often just a matter of degrees.

A company that competes internationally will have to decide if coalitions could expand its impact area, without having to expand the company. There is often an important difference between downstream activities and up-stream activities. Down-stream activities (sales, service, marketing) are more related to customer and channel functions. These activities are, to a great extent, specific to each country. A company's reputation, brand name and service network in a geographical market are the result of the company's activities in that country.

On the other hand, we have up-stream activities (purchasing, production) and support activities (management, technological development) that develop more as a result of the total system in the various countries where the company operates, than as a result of its position in a specific country.

From this perspective, it means that the comparative advantage a country or a company has, is not only a function of cost factors as suggested by traditional theories on economics. The analysis of competitive advantages can be based on different functions in the total value creation chain, and thus may include activities

such as research, education and training of sales and publicity functions (Porter, 1986). In many respects we could here use the term international specialization.

At the outset, we defined our work as that of studying export and internationalization. If our use of concepts and theories differs somewhat from the traditional literature and research on business strategy and marketing, we do not find this a sufficient reason to separate these from each other as special areas. That our international focus is on the USA does not alter the fact that when it comes to choice of variables, use of concepts and frame of references, we could have chosen any other market.

2.6 Internal resources, capabilities and cooperation

We have several times pointed out that a sensible strategy has to do with maximum adjustment between a company and the opportunities and threats in its environment. However, a market strategy that intuitively appears sensible could become totally "hypothetical" or "theoretical" when we look at a company's internal resources and capabilities. This is also true when the company has a realistic view of how much can be done to change internal resources in the short or long term. In other words, what we are trying to point out is the importance of internal conditions in strategic analyses.

Internal analyses are often based on a company's distinctiveness with respect to strong and weak points (Lund and Lorentzen, 1980). It is the strong points that form the basis for the competitive advantages and, for example, the choice of competitive scope. The weak points represent a threat that the company must learn to live with, or make the object of change and improvement.

The strong and weak points will reflect the quantity, quality and effectiveness of the resources. The character and composition of the resources will vary with the individual company and the demands made upon it. What resources one wishes to identify and evaluate could vary from business to business, and from sector to sector. An overview can be obtained by using the functions performed at the company as the basis: marketing, production, purchasing, personnel administration, finances, etc. Here we also see a clear connection to Porter's (1985) value chain activities, which in reality involve an internal analysis of a company's profile, resources and organization.

What the strong or weak points are depends on what comparative basis one uses and on who it is that carries out the evaluation. It also seems clear that if the analysis is carried out in a period of intense competition, for example on the marketing side, the evaluation of this particular function will be affected. In other words, the character of an evaluation will depend on

several conditions, the company, the sector, the time and on who does the evaluation.

A central issue in the evaluation of a company's limiting conditions is the capability concept. Capability is often a collective term for a company's internal resources, competence, systems and structures (Holbek, 1984). In the wake of competition, increased costs and many strategic surprises, a growing number of companies have turned their attention to the utilization of the expertise and resources of others through cooperation.

Motives and forms of cooperation

In this context an analysis of external capabilities would involve the identification of contract conditions and negotiations with potential collaborators and competitors about shared expertise, resources and systems. This means that when evaluating a strategy, one must continuously ask whether the strategy can be implemented by the company alone or in cooperation with others. The advantages of cooperation are that a company's total capacity can often be increased by having access to external capacity, and the desired effect can be achieved more rapidly.

"External capability and cooperation are two important concepts

in the capability paradigm that appears to be developing in business economics" (Holbek, 1984:65).

For a more detailed review of cooperation in business strategy we refer to a previous progress report (Olsen, 1988b). This report also contains a discussion of the results of the problem areas studied that involve marketing cooperation within the export industry, with particular focus on "Forum USA".

In the introduction we pointed to a number of factors that contribute to a growing need for cooperation in Norwegian industry, including the fishery industry. A common way of categorizing cooperation motives is outlined under the headings below: A desire for increased competitive strength (advantages of scale) or reduced transaction costs (reduced uncertainty).

1. Increased competitive strength through:

- Supplementary resources (distribution, marketing, quality assurance, information, expertise, technology).
- Supplementary products / product ranges.
- Advantages of large-scale production (financial, technical).
- Stronger negotiation position (suppliers, authorities).
- Control/strength in market/distribution.

2. Reduced transaction costs through:

- Improved coordination.
- Reduced internal and external uncertainty.
- Reduced internal and external competition.
- Specialization.
- Reduced opportunism.

These needs can also be interpreted as the advantages of cooperation. But cooperation also has its disadvantages, and is not always easy to implement. First of all, cooperation very often is no short-cut to success. It is often in the long-term that one reaps the fruits of formal or informal cooperation.

Cooperation can also have a restricting effect, through less mobility and flexibility. It can also tie up resources such as capital and technology, make a company "more rigid", and in this way exclude it from future markets and new technology. Researchers have also pointed out that some forms of cooperation may lead to reduced capacity for innovation and reduced performance (indolence).

To what extent the advantages outweigh the disadvantages also depends on what form of cooperation one chooses. The choices are many. Somewhat simplified, one can outline the various alternatives according to the degree of closeness that exists between the partners in cooperation.

The various systems require a different degree of ties and can, in addition, have various directions (horizontal, vertical, diagonal or network). An administered marketing system is characterized by somewhat closer ties than exist in a free market. Here one can cooperate on joint initiatives, plans and programs for distribution and marketing, and there is often a strong channel leader who is responsible for the necessary coordination.

Contract-based or agreement-based systems formalize cooperative efforts in a contractual system that lays down duties and rights. Several independent companies can join together in a contractual system in order to obtain the advantages of integration without giving up their independence completely. Cooperation agreements can be in the form of functional cooperation (marketing, quality assurance), project cooperation or as cooperative companies.

Integrated systems in their most extreme form gather distribution and marketing activities in the same organization. In the Norwegian fishery industry, Nestle Findus in Hammerfest is an example of such a system. Norway Foods A/S (Inc.) is an integrated production and marketing company, while Brøderne Aarseth A/S (The Brothers Aarseth Inc.) also owns trawler companies and can be considered as fully integrated vertically.

In other words, what one chooses to begin cooperation in (marketing, product development, quality assurance...) and in what manner, is a question of degree of freedom. It is not at all obvious what is most suitable and economical in the short or long term. In order to make such decisions, a number of uncertain factors must be considered and these should be studied, discussed and evaluated. Many pieces must fall into place for a number of cooperative arrangements to function as they were intended to (Reve and Stavseng, 1983).

If we look at the cooperation alternatives that are used as typical examples in Norwegian seafood exports, we often find a strong focus on "extreme" alternatives and their consequences. In other words, what is discussed is "the free market" with its effectiveness, anarchistic tendencies, opportunism and internal price competition as opposed to "centralization" with its monopolization, bureaucracy and small capacity for change and renewal. The most realistic, and the multitude of intermediate alternatives, have too seldom been in the headlines. If we look at the development trends in industry on the national and international level, this is where the big structural reorganizations take place (Porter, 1986, Teece, 1987). For example, we find a number of different forms of networks for the exchange of technology, expertise, information, internationalization and marketing (Thorelli, 1986).

With the problem areas we discuss, our principle interest is in the marketing sector with respect to internal and external resources. Even though, for different reasons, we used the assistant manager as our key informant, it will primarily be market conditions and closely related functional areas that will be the object of analyses and evaluations. On the other hand, we ought to be able to take the opinions of these individuals about other internal resources and functions seriously. Some resources are not affected by subjective opinions (e.g. the number of employees in marketing, surpluses, owners' equity, etc.).

2.7 Reference frame for analysis of Norwegian export companies: Strategic choice and internal conditions

In our literature review and discussion above, we have shown that there are different ways of defining, analyzing and evaluating the strategy of a company or an industry, its relations to its environment and its internal structure, resources and capabilities. Based on the problem areas (Chapter 1) we wish to highlight and our somewhat cross-professional focus with emphasis on marketing and the competitive aspect, we have developed a set of concepts and a reference frame for the analyses portion.

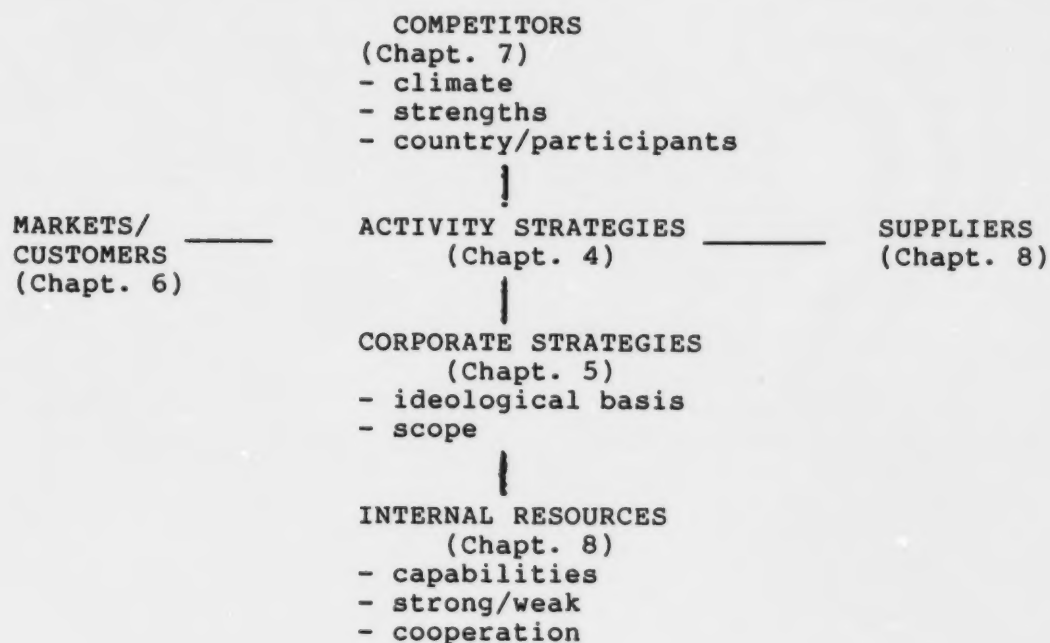


Figure 4. Concept and analysis model for a strategic analysis of a company/industry

We chose to divide the strategy portion into corporate strategy and activity strategy* (Astley, 1984). We define corporate strategy as in what market or business areas the company is to operate. This includes ideological basis (Holbek, 1984) choice of strategic and geographic scope (Porter, 1986), segmentation scope (Schendel and Hofer, 1979) or the general activity environment (Dill, 1958). The theme is discussed further in Chapter 5.

* Transl. note: The term used by Astley is 'business-level strategy'.

The activity strategy is more concrete in the sense that we here are dealing with strategies for various activities and limited functions within a company. Such strategies are also directed more towards specific elements in the environment. While corporate strategy is preoccupied with what environments one is to choose as markets, competitors and suppliers, activity strategy will define how one should influence, adjust to, compete with, cooperate with, or in any other way associate with these environmental factors. It is primarily activities and strategies directed towards markets and competitors that will form the basis for our analysis. In this section we will discuss in particular market and distribution strategies in the American market (Chapter 6.).

Competitors, competitive climate and competitive strategies are, as mentioned earlier, a central area in recent research on business economics and industrial economics. For this reason we have devoted the entire Chapter 7 to highlight various driving forces and areas of competition, identification and evaluation of the competitor country, as well as important competitive factors in the American seafood market.

We assume that the export industry bases its strategic evaluations on external and internal limiting conditions. In our analysis of strategy choice we will therefore also discuss implicitly organization and internal capabilities. Also here we

will focus on capabilities that are particularly important in relation to market and product choices. More implicitly we will deal with strong and weak points of the companies, capacities, access to capital, personnel and raw material, as well as profitability and solvency in a special Chapter (8). In this context we will look at their capacity and will to acquire external capabilities in the form of cooperation.

In order to bring out the totality and variety of Norwegian export activities in the seafood sector we also chose to present a case description of selected companies that we deemed to be important and typical for various groups of export companies (Chapter 4). The reason for such a choice was also the usefulness of showing the process and time aspect of a company's strategic development and organization. Organization and the value chain perspective (strategic scope) are then placed in their proper context, at the same time as we also wish to clarify various strategic typologies and comparisons.

3. STUDY DESIGN AND DATA GATHERING

As we mentioned in the introduction, the purpose of this project is to highlight several problem areas related to marketing, distribution and the export of Norwegian seafood to the USA. The reason is the establishment of marketing cooperation through "Forum USA" where some of the objectives are to improve quality and to profile more actively Norwegian seafood on the American market.

We chose to utilize the "advantages of scale" in our data gathering by asking many question about several problem areas when we made our first intensive and expensive round of interviews. In our earlier reports within this project, we referred to this part when we discussed design and data gathering. The study can most accurately be called "multipurpose". The fact that we clarified several different conditions with both qualitative and quantitative content, influenced our choice of design.

3.1 Combined design

Research design can briefly be described as the total frame-work or plan for an analysis or study. The choice of design will affect how one gathers and analyzes data. Since one of the objectives with this project was to identify, formulate and

prioritize tasks or problem areas for further research, an explorative design is preferable (Churchill, 1983). The same motive is present in the fact that we also used this project to gain a general insight into the export sector of Norwegian fisheries at the business level.

On the other hand, our task is to give a general overview and description of the Norwegian export industry as well as to analyze important conditions within this industry. A descriptive angle is therefore also used in parts of the study. While the explorative approach is characterized by a great degree of flexibility, descriptive studies are more rigid in the sense that they will provide clear specifications to questions of the type: who, what, when, where, why and how.

Our questionnaire study can also be described as a cross-section study in the sense that it deals with various types of business categories (large, small) from different sectors of the Norwegian fishery industry. That the study is a cross-section study means that the empirical observations were carried out during a specific time period, in our case the autumn/winter of 1987/88. In our description of individual companies (Chapter 5), obtained through interviews and document analyses, we also took into consideration development aspects and changes in strategical and structural patterns.

In social science research it is often useful to build on combinations of several types of data. Different data types supplement each other in that one can highlight different sides of the conditions one wants to study. Data can be combined in several different ways. We chose to combine different gathering methods (protocol data, interviews and questionnaire) and to connect data with different properties (qualitative and quantitative data). In this way, we could also reach different persons and levels in the companies we studied. For example, while annual reports express the company's official strategy, one may discover that the export manager has a different opinion about the same phenomena.

3.2 Qualitative interviews and questionnaire studies

The choice of method must be based on the study's problem complex. As we described above, we chose to highlight several sets of problems where some have an abstract and complicated content (e.g. opinions on strategy and environment). In this situation it is natural to select several methods which together can strengthen our confidence in the results of the analyses and which may supplement each other.

We believe that by using personal conversations and interviews, a more varied and complete understanding can be obtained of the phenomena that preoccupy and affect Norwegian exporters. On the

other hand, we want a greater degree of concretization and evaluation of these same phenomena, which we can achieve through operationalization of variables and questioning through a formalized questionnaire. In the analysis we will carry out a parallel utilization of qualitative (protocols, interviews) and quantitative data (questionnaire).

Qualitative and quantitative methods differ from each other with respect to the use of data gathering techniques, data analysis and presentation, as well as the extent to which one can influence and involve the research object. The strength of qualitative methods is in the study of complex and abstract structures and processes, for example, in a company. They are also advantageous when one wishes to create understanding for opinions and evaluations about business phenomena.

Qualitative methods are particularly suitable when it is necessary to formulate and alter problem complexes, and when attempting to analyze the complexity of a phenomenon. Studies of environmental relationships, decision processes and evaluations, choice of strategy and market prospects are examples of phenomena that often require in-depth interviews or qualitative methods. In this way, we can more easily bring out, e.g., the time aspect with motives and relationships between different strategic measures, as well as the company's capacity to learn and understand its environments and reaction patterns.

Qualitative methods are often characterized more by depth than by width (Grønmo, 1985). The analysis work is often not clearly separated from the data gathering, and is not based on particularly standardized techniques. Organization and presentation of the results of analyses do not take place through statistical techniques and tables as is the case with quantitative data. Qualitative methods lend a greater openness to the research process (Borch, 1987). That is to say, one leaves room for the emergence of new and unknown concepts, variables and relations. The degree of openness of qualitative methods is expressed in the achievement of a closer direct relationship with the research object.

The fact that we also let the same individuals express themselves in the form of an interview and then answer the same question in a structured questionnaire, means that we have here utilized what is sometimes called "triangulation" in social research (Jick, 1979, Falkenberg, 1985). The advantage of this method is that the weakness of one method can be compensated for by the strength of another. In this way we discovered several dimensions of some of the phenomena that we studied, at the same time as we identified new conditions of great importance to our analytical understanding.

The purpose of using qualitative interviews in combination with a questionnaire was also to produce a more uniform view in our analysis and description of Norwegian export industries in the fisheries and aquaculture. "Qualitative data are superior to quantitative data in density of information, vividness, and clarity of meaning - characteristics more important in holistic work, than precision and reproducibility (Weiss, 1968:244-245).

3.3 Analytical unit and key informants

The total empirical framework was applied to individual companies and organizations which, in a direct or indirect manner, are engaged in export activity of seafood to the American market. We were first and foremost preoccupied with businesses and export organizations with direct export to the USA. Since there are a number of support measures for export activities and internationalization that are channeled through separate bodies, councils and funds (indirect activity), these were also included in the total population. A separate report contains a review of these measures (Hanssen and Olsen, 1988).

The actual analytical units are thus businesses, companies or organizations. These terms for industrial units will be used interchangeably. We chose to focus on the internal resources, capabilities and organization of these organizations, and on how they have adjusted to their external limiting conditions and

markets. We will particularly study their market and competitive strategies and their ideas about the American market, competitors and cooperative conditions.

This was the basis when we selected key individuals in each company whom we believed were most suited to provide us with the information that was of primary interest to us. This type of gathering method is called the "informant method", and it involves the gathering of information about one organization or one company by interviewing one or several chosen members within the organization. The informants are not chosen accidentally, but on the basis of their special status, knowledge or work area (Phillips, 1981).

Choosing an informant who is representative of the organization he or she represents, and who is at the same time the right person to give answers in the problem areas that we wish to illuminate, is not without its problems. The methodological aspects of it (reliability and validity problems) were discussed in detail by Phillips (1981), and will not be further discussed in our work. We cannot immediately estimate to what extent an informant represents him/herself or the organization that he or she is supposed to represent.

To solve this problem we chose representatives of the management groups in the organizations. In practice, this means the depart-

ment manager or marketing manager (export/sales manager). We expected these informants to possess a relatively high degree of identification with their organization. The other criteria we laid down were that the informant would be responsible for, and have knowledge of, the company's marketing. Preferably, this involved knowledge of the American market.

3.4 Selection and data gathering

The population from which we made our selection consisted of exporters of Norwegian seafood to the USA. From the export committees we received lists of Norwegian companies which had exported seafood to the USA during 1986/1987. We were primarily interested in "active" and "regular" exporters, or exporters who wanted to be active in the USA within a two to three year period. Based on a list of 65 companies, we found, through our own knowledge of the industry, through telephone conversations and letters, that there were almost 50 active and regular exporters to the USA at year end 1987/88. Some of these were small.

During the work we found that some companies had ceased operations in 1987, while others only sent one or two small shipments to the USA during the course of one year. There remained 48 exporters that we were primarily interested in reaching with our questionnaire. A smaller, but representative selection of these, was then chosen for a combination of personal interviews and a

questionnaire. In order to obtain and gather information about these companies, we used, as mentioned earlier, three main sources: documents, questionnaires and interviews.

Document analysis

In the initial phase of the study, we went through a number of company reports, annual reports, studies, lectures and interviews with the media (press, magazines) about the companies that were our target group. Some of this information was available at the FTFI (Institute of Fishery Technology Research), for example company prospecti collected during earlier trade fairs and company visits. We also sent letters requesting information about the company to selected businesses.

These documents primarily provided us with two types of information and ideas. First of all, it was of great help in designing sections of the questionnaire where we obtained data about ideological basis, product choice, strategic elements and organization. In this way we could see what the companies themselves regarded as important resources and capabilities when profiling their business. Secondly, we received detailed descriptions of the companies, which we combined with the primary data we gathered ourselves.

Questionnaire

The design of the questionnaire was based on the objective of our study and the set of theories that we considered suitable to our purpose, as described in the first two chapters. Using literature, industry sector experience, corresponding studies and ideas from the document analysis, we arrived at a number of variables or conditions which we developed into a questionnaire. We then submitted the questionnaire for expert opinions and carried out a pilot test.

As far as possible, we tried to structure the questionnaire with closed answer alternatives. We also concentrated on using a Likert scale. Some of the questions were formulated with open question alternatives. In some of these cases, the character of the question was such that it was difficult to use closed questions. Since we also used a set question form for our interviews, we often managed to get more details and a satisfactory answer to the open questions.

Out of our target group of 48 "active" and "regular" exporters, we received answers from 30. In pure numbers, this gives us a response percentage of 62.5 %. However, if we consider the value of sales, we received answers from companies that were responsible for about 90 % of total exports to the USA in 1987. The total sales for the companies were around 6.5 billion Nkr during

the last year. In order to obtain such a high response percentage with such a large questionnaire, we had to remind some companies up to five times (by phone).

Interview

Interviews can vary depending on the degree of advance structuring, from the use of a questionnaire with fixed questions and fixed response alternatives, to more of a dialogue type interview where only one theme forms the basis for what may be discussed.

In our work we chose 18 companies from which we requested a personal interview in addition to the questionnaire. We primarily wanted to meet those individuals whom we assumed had a long experience of sales and marketing to the USA. Two of the companies dropped out in this process. One of the companies refused to be interviewed, while in the other case our informant had to travel abroad due to unforeseen circumstances. In the 16 companies we visited, we interviewed a total of 24 persons. In addition to the companies, we also interviewed personally the managers of the Export Committee for Fresh Fish, the Marketing Council for Aquaculture Salmon and the Marketing Council of the Fat-Herring Fishermen's Sales Association.

We sent out our questionnaire in advance so that the respondent could get acquainted with the different themes that would be

discussed in the interview. We then also used a questionnaire as a guide for what was discussed. This form of data gathering gave us an opportunity to bring up conditions that were not clarified through the questionnaire. We also had the opportunity to clear up any misunderstandings caused by the questionnaire.

In other words, the strength of interviews is that they provide great flexibility with respect to themes and problem complexes. There is an opportunity to deal more in depth with certain questions, clear up discrepancies and bring up important and omitted elements. In this way we believe we received more honest answers to questions that were somewhat delicate. Interviews provide an opportunity to study and clarify processes and relations between phenomena in a way that can give new insights and understanding. On the other hand, there is also the danger that the interviewer may reinterpret what is said according to his/her own subjective opinions, and that these interpretations then in turn will influence the respondent. Only one person did the interviews.

One of the objectives of the project was to build trust and understanding between the researchers and the export industry. During our interview travels we were very well received, and the informants often took the time to answer questions and discuss general aspects of the marketing and export of seafood. It was

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also easier to return to gather additional or more detailed information from the companies where we had done interviews.

When the response time for the questionnaire had run out and we had completed the tour of interviews, we began with reminders, as previously mentioned. During this process we also did some telephone interviews with selected respondents. We also interviewed by telephone the remaining managers of the Publicity Committees and the Marketing Councils (Hanssen and Olsen, 1988).

3.5 Data processing and analysis

The questionnaires were examined, processed and entered for automatic data processing for further analysis. In the analysis portion, we will combine data and information from the various sources: document analyses, questionnaires and interviews. For most of the questions in the questionnaire study we will use the simplest analysis techniques (frequency distributions) and in this portion we will utilize a multivariate analysis. In the analysis section, we will specify the sources for the data, the problem complexes, and the use of scales and analysis techniques.

4. DESCRIPTION OF SELECTED NORWEGIAN EXPORT COMPANIES

Within the frozen fish sector (excluding shrimps) we have in Norway three companies who have the legal right to export seafood to the USA. These companies are Frionor Norsk Frossenfisk A/L (Frionor Norwegian Frozen Fish Inc.), Nordic Group A/L (The Nordic Group Inc.) and Nestle-Norge A/S (Nestle-Norway Inc.). Since these companies are responsible for a considerable part of Norwegian exports to the USA, we will provide a detailed description of each of these corporations and their marketing strategies.

Norwegian export of pelagic fish, such as herring, capelin, mackerel, sprat, Norway ^{pout, blue whiting,} and Arctic cod, is controlled by a rather complicated legal and organizational form of export (Hallenstvedt, 1982). The simplest exports are those of herring-meal and fish oil products which are delegated to the export organization "Nordsildmel" (North Herring-Meal). In this sector, we also have such export organizations as Norway Pelagic Fish Ltd. A/L (Inc.) (salted herring) and Arctic Eksport A/S (Arctic Export Inc.) (frozen herring and capelin products). Some products are strictly protected by laws, e.g. all export of frozen capelin and frozen, processed products and bi-products of capelin is centralized through Frionor, the Nordic Group and Arctic Export.

In addition, we have the freer, or licence-restricted export of pelagic fish species. We will later briefly mention the businesses involved in this export, which is often a supplementary export to other fish species such as fresh cod fish, salmon and shrimps. Based on the American market we will describe the legally protected organization which has made the largest investment in the American market, namely Norway Foods Ltd. The work of, for example, the Fat-Herring Fishermen's Sales Association was included in our presentation of the individual marketing councils (Hanssen and Olsen, 1988).

In 1987, there were 78 approved buyers of salmon and trout in Norway. Today we find a clear desire to unite the exporters into larger groups of companies, in order to be able to face the heavy competition from other countries and to benefit from the advantages of scale in product development and marketing. The establishment of cooperative companies within aquaculture (Hansen, 1987) and mergers between larger companies (e.g Skaarfish-Mowi) clearly show that a structural reorganization is under way:

"The cooperation established between our buyers and the structural change that is now taking place within this sector, is a development in the right direction. Tying fish

farmers and buyers closer together also promotes better marketing planning".

(Annual Report, 1987, the Fish Farmers' Sales Association)

The objective of this chapter is to identify, categorize and describe important activity strategies, organization, value activities and strategic scope for selected Norwegian companies with sales and marketing of seafood to the USA as one of their principal activities. The reason for studying individual companies, is our desire to get a complete picture of the variety among Norwegian companies involved in fish processing and export. We will later tie this to a general description of strategy, structure and capabilities.

We primarily chose to use Porter's (1980, 1985) set of concepts for our study of individual companies. In other words, this will tell us something about how the different companies have chosen to position their activities, such as their scope in the choice of segments, geographic impact areas and in relation to their suppliers (down-stream activities) and distribution channels (up-stream activities), as well as their organization and vertical scope. Without entering into confidential areas, we also included the internal resources and capabilities of the companies.

The study was carried out based on information obtained from our interviews and questionnaires. We also used annual reports,

company prospecti, interviews with management in newspapers and magazines, as well as lectures where the companies were presented. In order to prevent publication of confidential information and incorrect interpretation of data, we sent each of the seven cases for review and comments by the company. Five of these were returned with changes, which we took into account in the final description.

We chose to describe Nestle as an example of a global food giant, or an international food corporation. This example provides us not only with an insight into how such conglomerates function, but also shows the competitive forces we face through such multinational corporations. In order to include the special support apparatus that Nestle Norway Inc. possesses through its parent company, we will focus on describing the main corporation's activity areas and strategic scope in the form of resources and capabilities. We will also briefly describe the Norwegian company with the emphasis on Findus in Hammerfest.

Since it is Frionor that is the largest exporter from Norway to the USA, as far as volume and value are concerned, we chose to expand a little more on this company than on the others. Frionor has the most extensive production and marketing apparatus among Norwegian-owned companies within the seafood industry. Together with Norway Foods, it is an important producer of brand name goods, and this makes their marketing strategies more extensive

than in the traditional export industry. We chose to categorize these two companies as international processing and marketing companies.

The Nordic Group Inc. was chosen as an example of a typical sales and trading company, based on collective sales of member products. They are typical in the sense that they do not have or own any means of production, nor have they tied themselves to investments or activity areas that are not directly involved in the sale and marketing of sea products. In this category of companies we also included cooperative companies within the aquaculture sector. As opposed to Frionor and Norway Foods, these companies are not large producers of brand name products.

Apart from legally protected companies, cooperative companies and pure sales and trading companies, we find in Norway a group of individual exporters with strategic emphasis on production. They are often production businesses with their own sales and trading departments. For some products, and in some markets, sales are handled through cooperative companies (often protected by laws). In some areas, this group is so special that we chose to place it into a separate category. In this category we will describe the Domstein Group, Kvalos Inc. of Måløy and the niche specialist Faco Inc.

4.1 Nestle Findus Inc.: International food giant

Nestle is a multinational and vertically integrated food corporation with its head office in Switzerland. The corporation has more than 160,000 employees and a business volume of around 170 billion Nkr. The corporation has subsidiaries in most Western countries, and these units work independently within their fields or markets. Activities are coordinated so that each subsidiary can take advantage of the international network, as well as joint activities such as research, product development and expertise, for example in marketing.

Nestle's business idea and activity areas

The primary task of the corporation is to produce good quality products that have a long shelf life. Quality is rated high in their philosophy, and within the company it is pointed out that: "Quality is our most important product". The product spectrum is very broad and they continuously try to improve the nutritive quality of their products and make them more convenient. They further place emphasis on producing and marketing products that satisfy customer needs for specialty products. Development of convenient packaging is given great importance.

Nestle places much importance on quality assurance, and the health of customers is given major priority in product develop-

ment and general R & D activities. It is not the general policy of the corporation to produce their own raw materials. As far as possible, they purchase these from farmers and other independent suppliers (Nestle S.A., 1986). Local suppliers are preferred over imports into the producing country.

Nestle is first and foremost a multinational food corporation. From the development, production and distribution of baby food and milk products on a global basis, they later expanded into a number of food categories. After the Second World War, the company developed a number of "instant" products with coffee as the major product. Nesquik is also a product most Norwegians are familiar with. The development of new products and acquisitions has since been Nestle's clear policy.

Organization, growth and strategic scope

The company has grown through traditional "internal" growth, but in later years they have increased their activities through acquisitions and mergers. In this process, they have enlarged their business areas through increased diversification. However, they consider that they remain faithful to their ideological basis: "to contribute to human well-being".

In 1974, they expanded beyond the food industry and entered into cosmetics by purchasing a large part of the French company

L'Oreal. This company has today grown into the world's largest cosmetics company. Three years later, they took over Alcon Laboratories (Texas) within the pharmaceutical industry and since then they have further strengthened this activity.

After having entered the hotel and restaurant market, they bought the American company Stouffer's in 1973. Together with Swissair they formed the hotel chain "Swissotel" in 1981. Today the company has 360 businesses across the world, whereof 76 are in North America and 158 in Europe.

The strategic core of the Nestle corporation is product and packaging development and marketing (brand name products). It is these functions that support the existence of the many production companies in the corporation. The brand name products will stand firm against competitive situations, provide margins, weight and stability in the demand for their products. Based on expertise and R & D, they continuously try to remain at the forefront of the traditional food industry. Their research policy is first and foremost concentrated around three main areas:

- Human health aspects.
- Raw material (better quality and utilization).
- Production processes (efficiency).

The corporation has its own research centre (Nestle Research Centre) with 18 departments (Research Company - Reco) in 10 different countries. Together they are involved in target-oriented research, from basic research to applied product development and process development. In this network, we find test kitchens, pilot businesses and development laboratories. Knowledge and personnel are rotated in order to spread and implement concepts and ideas.

In Switzerland (La Tour-de-Peilz), Nestle has its education and training centre for its employees. Each year several hundred employees from around the world come to the centre to participate in courses. In addition, there are decentralized training programs for which the centre is responsible.

Nestle Norway Inc.

Nestle Norway Inc. (previously Nestle-Findus) has four production plants and a head office in Asker. Within the Norwegian fishery industry, the corporation is best known through Nestle-Findus Inc. in Hammerfest. This company owns a production plant with its own trawlers and service shop/slip. While the general strategy of the corporation is not to produce its own raw materials (farming), in Hammerfest they have chosen to integrate the fleet into the production sector. In this way, Findus has been described as the only fully integrated company within the fishery sector in

Norway. This is not correct. Within the traditional fishery sector, as well as in aquaculture, we have several companies with full integration. We will return to them later in this work. In this context, it is worth mentioning that the "Findus model" is also called an "example" of Norway's future fishery industry.

The strong point of the Hammerfest company is "full integration". At the same time, they place emphasis on efficient production. The latter is also important in order to compensate for a lack of manpower in the region. With marketing support from Nestle Norway, and a global parent company, it is hard to find any weak points in this system.

Marketing strategies

During the last few years, Nestle Norway has experienced a tougher competitive climate, something that has initiated a process where the company is involved in an active evaluation of its strategic position in the market (Haugland et al., 1987). One of the main problems is that customers show a clear preference for fresh and refrigerated goods as opposed to frozen. Much of this is due to the idea that frozen goods are not up to par when it comes to quality and nutritional value (Olsen, 1987).

This is a dilemma for every company, including Nestle-Findus, since in many ways there are big differences between the produc-

tion, distribution and marketing of fresh and frozen products. The transition from fresh to frozen products is therefore a strategic change of considerable consequences even for a large company like Nestle-Findus.

Around one third of the production in Hammerfest is sold in Norway. The two most important export markets are France and Sweden, while Switzerland and the USA come next. Initially, exports go from Nestle-Norway to subsidiaries in Europe and the USA without any appreciable involvement from the head office in Switzerland. In 1982, Findus obtained export rights for frozen fillets to the USA.

4.2 Processing and international marketing companies with focus on brand name products

In our opinion there are presently two Norwegian companies that stand out from the rest, namely Frionor Norsk Frossenfisk A/L (Frionor Norwegian Frozen Fish Inc.) and Norway Foods A/S (Inc.). These companies do their own processing to a considerable extent, and these are products that are sold on the international market as producer-owned brand name products. These companies are also involved in international activities to a greater extent than other similar Norwegian companies.

4.2.1 Frionor Norwegian Frozen Fish Inc.: Focus on brand name products

Frionor is an international sales and marketing organization with subsidiaries in 9 countries. With a business volume of 86,000 t valued at 2.18 billion Nkr in 1986/87, Frionor is the largest individual company in the Norwegian fishery industry. Of this quantity, 72,000 t are products from the sea. The intention behind the establishment of the company in 1946 was to gather all the forces into an efficient export organization for the sale of high quality Norwegian frozen fish fillets under one brand name on the world market.

Frionor's ideological basis and activity strategies

Frionor's task is to strengthen its position as Norway's largest, and one of the world's leading, companies for the distribution and marketing of sea products (Nybø, 1987). It shall also work to maintain and increase the national and international recognition of the Frionor brand name as a symbol of high quality Norwegian sea products. In order to secure resources and the confidence of its members, it shall attempt to obtain the highest possible prices for its members' products through its international marketing apparatus.

More specifically, the company's tasks are:

- To sell Norwegian fish and seafood products.
- To participate in production, processing and sale of other products with the aim of promoting the sale of sea products.
- To undertake market studies and actively engage in research and development of new products.
- To control production, packaging and transport, as well as to assist in procuring raw material for its members.

The growing activity within the aquaculture industry has also affected Frionor's activities. The board has decided that the sale and marketing of aquaculture products is to be a prioritized area of business in the coming years (Annual Report, 1986/87). These activities will first and foremost involve trading in non-frozen products, but in the long-term the company will be involved in developing and introducing refined fish products within the retail and catering sector.

Frionor distributes its products to over 30 different countries. It has chosen to divide its main activities into four principal segments:

- The retail market under the Frionor brand name, and some private brands.

- The catering/food service (restaurants and fast food chains).
- The industrial product market (to their own and other processing plants).
- Trading (frozen and fresh products to smoke-houses, industries, etc.).

The brand name products are Frionor's basic element, and it is within this area that Frionor wishes to expand its activities (Nybo, 1987). The motivation is to increase stability and profits through long-term arrangements. This results in strong, but "civilized" competition, prestige and visibility. The sale of Frionor brand name products is very prominent in Norway, Sweden and Switzerland.

The other main segment, catering, consists of large-scale kitchens, restaurants, institutions, schools, etc. Within this segment, the company provides a long row of products that are almost of a retail market character, since they are brand name products with a profile. The standard portion, however, consists of products with a low degree of processing, and is characterized by low marketing costs and little price competition.

In the industrial product market, sales occur as spot transactions, often combined with general agreements on the quantities that are to be delivered. In this market, we find large and rapid

price fluctuations and serious price competition. During the last few years, Frionor has chosen to use the industrial market as a buffer, and with its entry into the retail market in the USA it must definitely be considered an active buyer of industrial blocks within this segment. In the sales sector, Frionor sells industrial blocks primarily in England and on the continent.

The corporation's head office has between 70 and 80 employees who work with product development, trading, sales and marketing. The number of employees in Oslo is so small because the company is deliberately trying to decentralize its activities to the various subsidiaries. In addition, the company is involved in production planning, joint purchases for its members, transport deviation, accounting, financial control and other support functions. Quality control and technical assistance are considered important support functions in order to reinforce the quality of products and the efficiency of its member businesses. The company has several local inspectors involved in this work, as well as a technical department at its head office.

As a whole, Frionor gives priority to the retail segment. It attempts to handle the products all the way until they reach the consumer. According to Frionor's Annual Report (1986/87), its activities in the retail business are substantial or moderate in 8 market countries. Corresponding activity in the catering segment is limited to 14 countries, while the industrial product

segment includes 8 market countries. Within each segment, or between the various geographic markets, the company's strategies vary greatly. Apart from the USA, the corporation's geographic scope is in Sweden, Finland, Switzerland and France. In this work, we will examine the USA market in particular.

Strategy in the USA market

Since the beginning of the 50's, the USA has been the largest individual market of the Frionor corporation. Its activities in the USA have primarily been directed towards the large-scale institutional market. Its most important customers are fast food chains, restaurants, schools and institutions. Product processing takes place mainly at the New Bedford plant and products are sold under the Frionor name to buyers in the USA market. In this segment, the market share has been estimated to be about 15 % of the market for frozen, breaded products (Trondsen, 1984). Sales go through various distribution channels such as brokers (a type of commercial agent), wholesale dealers, or directly to large fast food chains. Some of the brokers also have a wholesale function.

Frionor is presently associated with around 80 regional agents or brokers (Haugland et al., 1987). Relations are based on good knowledge of local conditions and mutual trust. In order to make up for the traditional problem of agents not being service-

oriented, reliable and controllable (Stern and El-Ansary, 1982:117), Frionor has invested much in personal contacts and mutual trust, apart from formal agreements. Mutual trust is often more important than detailed contracts in the very result- and market-oriented business style typical of the USA. Frionor also has its own sales people in the market. Their primary task is to acquire new customers, but their job is also to maintain customer contacts, introduce new products and carry out direct sales penetration.

In 1986, it was decided that the corporation was to enter actively into the retail sector. There were several reasons for this. First of all, Frionor is very experienced in the production and marketing of brand name products, i.e. in Norway, Sweden and Switzerland. In the American market, the company has gradually built up its expertise in the catering business, and this means that this activity is well established and functions satisfactorily with less utilization of resources. Even though the restaurant and fast food market for seafood continues to experience moderate growth, the best growth potential is within the retail sector.

However, the determining factor for the timing of Frionor's entry into the retail sector, had to do with a restructuring that took place at Gorton's, their association partner in the retail sector. When this company was being restructured, Frionor hired

several key individuals with many years of experience within the retail sector. Therefore, Frionor could within a short time enter massively into this difficult, but growing sector in the USA. Launching began in March, 1987, with retail packages developed for the younger generation and a line of microwave products for the more adult consumer. At the beginning of 1988, the product group "Frionor Brunch O'Crunch" and "Frionor Norway Gourmet" was found in around 13,000 supermarkets in the USA. In our interview with the management of the company, we were told of positive experiences and optimism in their new investment area. On the other hand, clear counter moves have been taken by their strongest competitors.

The scope and weight of Frionor's entry into the retail market in the USA could not have been carried out without a company-owned processing plant and increased activity as a buyer of fillet blocks from the global industrial market. The entry into the retail sector is fraught with such high costs that it is crucial to secure continuity and stability, in order to cover basic costs and secure the confidence of customers and consumers.

With this we can conclude that the Frionor corporation is on its way to becoming a global brand-name industry within the seafood sector. Restaurants and institutional households are prioritized in certain areas and in individual markets. The product spectrum is being enlarged, for example by greater investment in salmon

and trout aquaculture products, as well as increased use of "foreign" fish species.

Organization, strategic scope and internal capabilities

The company is a cooperative owned by 93 members, whereof 80 are active producers. Around two thirds of the production comes from plants north of the Arctic Circle (Nybø, 1987). The company has processing plants in Alta and Trondheim, and there are about 400 industrial workers employed by the corporation in Norway.

In January, 1987, the former Finotro was incorporated into the company under the name of Frionor Polar Group Inc. In this way, Frionor achieved a partial downward integration, with fillet production and catch (trawler fleet).

The transport company A/S Norsk Frysetransport (Norwegian Frozen Transports Inc.) of Ålesund is owned by Frionor and Sunnmøre Rederi (Sunnmøre Shipping). The company arranges Frionor's shipments to overseas markets, particularly to the USA. The company does not presently own any cargo vessels involved in distribution. The latest offshoot within the Frionor corporation is cooperation with Norges Kjøtt- og Fleskesentral (Seafood Farmers and Norway Ltd.) in joint distribution and marketing of aquaculture products.

Frionor has sales companies in Sweden, England, Switzerland, West Germany, Japan, Australia and the USA. It also has production companies in Thailand and in New Bedford (USA). Frionor is presently very well represented in the EFTA markets. Through a jointly owned production plant in France, the company will strengthen its position for highly processed quality products within the EC.

Frionor also has ambitions to become a market leader in the retail and catering sector in Finland. In these efforts, it has entered into formal cooperation with two large Finnish food companies in order to establish a jointly-owned production and marketing company for ice cream and frozen food products (Apetit OY) (Apetite Inc.). In this connection, Frionor has taken over Norfin A/S (Inc.) in Kristiansund and the right to use the brand name of this company as well. This cooperation has not yet been finalized.

Since the beginning of the 1950's, the USA has been Frionor's largest individual market. In the 1986/87 financial year, its business volume in the USA was more than 24,000 t at a value of US\$ 95.2 million. Most of this quantity was produced at the company's own plant in New Bedford. The company began its activities in the USA in 1946/47 with a sales office in New Jersey. Since then its activities have grown in scope and were particularly strengthened by the renting and subsequent purchase

of a production and processing plant in New Bedford, Massachusetts. In 1975, this plant employed 140 persons. In 1983, there were fully 500 employees. The USA accounts for about 30 % of Frionor's total sales volume.

Activities in the USA are organized through two companies with the head office of Frionor Norwegian Frozen Fish Ltd. handling import and resales. The subsidiary Frionor Kitchens Inc. produces the finished products from unprocessed fish blocks. Transportation to the USA was until recently handled by the subsidiary Norwegian Frozen Transports Inc.

Frionor's relative strategic emphasis is on distribution and marketing. Through processing plants in Norway, Thailand, France and the USA, the company can ensure shipments of brand-name products in an industry characterized by very irregular supplier activities. Its involvement in the fishing industry of North Norway through Frionor Polar Group Inc. makes it appropriate to call Frionor a fully integrated company. Its vertical scope has been expanded and we see the outlines of increased investment in up-stream activities in primary production.

4.2.2 Norway Foods: Value creation and quality on the world market

Canning of sardines is a more than 100 year old industry in Norway. In order to meet a steadily growing international competition, as well as higher customs barriers to the EC market, Norway Foods was established in 1981. The company was given the exclusive right for all export of herring and sprat, and is a tool for the coordination of production and marketing of canned Norwegian products on the international markets.

The corporation had sales of about 450 million Nkr in 1986 with 1,340 employees. Of this, Norway Food Ltd. accounted for around 1,100 employees and sales of just over 300 million Nkr. The company's value chain is matched by few companies within the Norwegian fishery industry. Today, Norway Foods increases the value of sardines more than tenfold from the fishermen to the international market.

The Norwegian sardine industry suffered a severe blow in the 1970's when the EC market so to speak disappeared behind high customs barriers. Additional customs expenses of 20-30 % on top of a high cost level resulted in the loss of the EC markets. England and West Germany were earlier large importers of Norwegian canned goods. The need to integrate and coordinate the sardine industry in Norway was therefore turned into a reality,

and Norway Foods Inc. was established with government involvement.

Ideological basis and activity strategy

As a corporation, Norway Foods is an international business with a strong market position in several countries. Through many years, its predecessors had developed good distribution and several well known brand-name products on the consumer market. According to the corporation's main prospectus, its business idea is: "To satisfy market needs for quality food products" through:

- Strong brands
- Good international distribution
- Quality products
- "Know how"
- Strong cooperative partners

The company invests heavily in the development of new products and markets based on traditional Norwegian fishing. It also wants to utilize the opportunities that aquaculture will provide. At the same time, it sees a clear possibility that its international distribution network and strong trade mark can be used also for other types of Norwegian food products. Even though it attempts to secure a wider range of products by looking for new products and groups of products, it is clear from the strategic basis that

sardines will continue to be an essential part of the corporation's activities.

The corporation's involvement in aquaculture will broaden its foundation. Our interviews with informants within the corporation show clearly that the growth of Norway Foods to a great extent will occur within distribution and marketing of aquaculture products. The corporation will probably not invest specifically in the production sector (aquaculture), but prefers to increase its expertise within processing and marketing. Delivery of raw material could be handled through partnerships and contracts with fish farmers. The ideological basis and activity strategies of the corporation are drawn up by the head office management in Stavanger, and the tactical implementation, including sales and marketing, is delegated to its subsidiaries at home and abroad. The head office has a staff that was developed specifically to handle collective functions, such as production, inventories and logistics, budgeting, accounting and control, as well as coordination and follow-up of sales and marketing.

The corporation has 9 employees abroad whose special function is marketing. The company's geographic scope is on the American market, serviced by the subsidiaries of King Oscar Inc. and Norway Foods Inc. Then comes the home market, serviced by Norway Foods Salg A/S (Sales Inc.), Holmestrand. Australia and New Zealand are serviced by King Oscar Fine Foods Pty, Ltd.. Japan,

and some direct customers in all markets are handled by the export department at the head office. Europe and the Common Market are serviced by subsidiaries in Scotland and Belgium.

Its most important customer group is brand name distributors of products with a long shelf-life. In order to reach the retail market, it primarily uses brokers or distributors. For example, the subsidiary in the USA has several regional sales managers and sales people. They in turn have contacts with 60 brokers across the entire continent.

The corporation sees opportunities to increase sales through the hotel and restaurant sector. Such a change in strategy may go well with the efforts to expand the product spectrum of aquaculture products, and here achieve a synergetic effect.

Strategy and activities directed towards the USA market

The total sales of the corporation were 550 million Nkr in 1986, where 80 % consisted of exports. The USA is the corporation's most important market. This market absorbs between 60 and 70 % of the sardine production. Today, Norway Foods has a 40 % share of the sardine market in the USA.

As mentioned earlier, the corporation owns two subsidiaries in the USA. King Oscar Inc. is responsible for the sale of sardines

and other canned products, while Norway Foods Inc. is responsible for aquaculture products in fresh, frozen and processed form.

Both companies operate across the entire American continent, with regional sales managers and sales people who deal with brokers and help bring the products into the retail market. King Oscar Inc is well integrated into the broker system, and distributes its products from 31 warehouses in the USA and Canada.

Apart from delivering products to its own subsidiary, Norway Foods supplies a number of American importers. This gives the corporation's products 100 % distribution in American convenience stores. The corporation markets and sells its products under brand names such as:

- King Oscar
- Spirit of Norway
- Tiny Tots
- Crossed Fish

Apart from King Oscar and Spirit of Norway, most are geographically focused brands and others are private brands. The competitive strategy of the company on the American continent is above all quality, supported by a strong brand profile and intensive distribution. It tries to differentiate products according to

various customer segments. For example, it sells sardines in water for diet-conscious consumers.

Active marketing and sales work, combined with real quality, is surely one of the major reasons that the company has been able to secure a market share of between 30 and 40 % with prices that are 50 % above those of its competitors (McClure, 1988). In many ways, canned goods are a counter-current product on the American market for fish, where fresh goods are becoming more and more popular. In spite of this, a Norwegian company, through reorganization, cooperation and marketing, has made large profits during the 1980's from American households.

Organization, strategic scope and internal capabilities

Norway Foods is a private, integrated company with 9 production sites for sardines, kippers, mackerel products and other specialties. The company also has a production plant for canned dinners, Vesterålen's Hermetikkfabrikk (Vesterålen Cannery). The corporation also owns production plants for ketchup and keys. In Scotland, Norway Foods owns a plant that processes sardines and mackerel for sale within the EC.

Sales in Scandinavia are organized through the subsidiary Norway Foods Salg A/S (Sales Inc.) with its offices in Holmestrand. Another subsidiary, A/S Fellesfrost (Joint Freezing Inc.), owns

two vessels and contracts seven others during the peak season. The corporation has its own sales companies in Belgium (for Europe), in the USA and Australia.

The strategic emphasis of the company is on processing (production) combined with active marketing of brand name products. The company's entry into new product areas will broaden its base and at the same time achieve a synergetic effect in distribution and marketing.

4.3 Cooperative companies based on sales and trading activities

Within the export sector, we also find a number of companies with sales or trading as their strategic scope. In our description of the sales organizations of Frionor and Norway Foods, we have already dealt with the largest and most important of these seen from the perspective of business volume. Since these companies base their entire existence on selling the products of other companies, they must, in one way or another, establish connections to the supplier sector. For this reason we chose to use the term cooperative for these companies, as opposed to the next category which to a greater extent is based on the production of its own goods.

Cooperative forms, size, product spectrum and ideological basis differ somewhat within this category of companies. For example,

the traditional sales company, Johan. J. Helland in Ålesund, differs from, e.g., the Nordic Group. There are individual examples which, based on a small production plant, have built up sales and trading departments of such a scope that the production unit has become only a minor side-line. An example of this is Ålesundfisk A/S (Ålesund Fish Inc.), which increased its sales from 1985 to 1987 from barely 70 million to 230 million Nkr during the last year ("Norwegian Fisheries", 1988). With experience in production activities, together with basic investments in this area, it is quite natural that such companies develop this sector if production and processing result in profitability and synergy in trading, sales or marketing.

The latest establishment in the area is Sea-Star International, which has a somewhat special type of ownership since one of the companies on the Fulton Fish Market in New York owns 40 % of the company. The establishment of this company confirms our idea that if you work in a company involved in sales and marketing, you will soon be able to establish your own company because you possess the necessary know-how as well as a network of customers and suppliers. In this way, know-how and an established network become strategic resources (Winter, 1987).

Below we will first describe an individual company in detail, i.e. the Nordic Group. This company has strong traditions within its field of activities, and can serve as a contrast to the new

companies of a similar character that are emerging, for example, in aquaculture. We therefore chose to present a general description of cooperative companies in aquaculture and shell-fish exports.

There are nuances among the various cooperative companies, but according to our evaluation criteria, both ideological basis, activity areas, and strategic scope are relatively homogeneous. This category is actually the most homogeneous of all the companies we have described. It should also be noted that several of these are recent establishments, and consequently, they have not yet developed their organizations and their areas of activities in the same manner as large sales companies like Frionor, the Nordic Group and Norway Foods.

4.3.1 The Nordic Group Inc.: Flexibility in all segments

The Nordic Group is an export organization with 19 members and 30 plants from Varanger in the north to Ålesund in the south. Norske Fabrikkskips Forening (the Association of Norwegian Factory Ships) is also a member. The company was established in 1967, and was given export rights to the USA the following year.

In 1987, total exports from land-based plants were 46,300 t at a value of 903 million Nkr. In addition there are the factory ships with an export of 30,000 t. Members are entitled to direct sales

in individual markets, but pay a small commission to the Nordic Group. Exports through the joint sales organization of the Nordic Group were 270 million Nkr in 1987. Out of this, 150 million Nkr worth of products went to centralized markets.

Ideological basis and activity strategy

The Nordic Group's main task is to sell its members' seafood products. The association is allowed to arrange purchases of sea products from non-members. Like most other export companies, quality is an important element of the company's ideological basis: "Quality is our reputation and our pride".

The company also places great emphasis on flexibility in the form of ability to react quickly to signals from the markets: "by channeling exports to where prices are best ... by looking twice at our money" (Executive Director H. B. Olufsen in an interview in the magazine "Norwegian Fisheries", No. 11/12, 1983).

Apart from sales, the Nordic Group carries out control of production, packaging, transport and processing machinery for the products exported through the association. In addition, the company's tasks are to carry out market surveys and engage in research and development of products and production methods (Nordic Group Inc. Articles of Association, 1987). Or as Hans B. Olufsen, Executive Director, prefers to put it:

"The main function of the Nordic Group is to find out what the markets want and transform these signals into product specifications for its members. In other words: How much should be produced of the various kinds of products at the right quality for individual buyers."

The Nordic Group is involved in bringing in new products, cost-accounting, it participates in price negotiations with the sales organizations, is involved in financing and contacts with authorities, interest groups and organizations.

The product spectrum of the company is within the categories of fillet blocks and whole frozen products, essentially cod fish species. Its specialties are fillet for catering and institutional households. The company management has decided that the Nordic Group is not to be involved in the export of fresh salmon (Annual Report, 1986). In other words, frozen sea food is the superstructure of its product spectrum.

The company was originally established to supply the American market, but this was later expanded to apply to all markets outside of Eastern Europe. Its main market is the USA, followed by the European Community, Sweden and Japan. To a greater extent than export to other markets, its exports to Japan vary depending on the availability of raw material such as capelin and shrimps.

Strategies for the USA market

The USA is usually the largest individual market for the Nordic Group's products. The scope of exports to the USA, and this market's share of total exports, varies from year to year, but is seldom below 30 % of the company's total exports. In 1987, the association's exports to the USA were 131 million Nkr out of a total sales volume of 270 million Nkr.

The company regards the work of distributing and marketing specialty products for sea-food restaurants (called family restaurants) as its main strategy on the USA market. Or as stated in one of the company reports: "Our product policy has been to concentrate on natural fillets with maximum processing in Norway, packaged in brand-name packages primarily intended for restaurant chains". The company uses the brand name "Fjord Fresh" as its identification on all fish sold in the USA. Sales through brand names of other producers are insignificant according to our interviews with the company management.

Organization, strategic scope and internal capabilities

As opposed to Frionor, the Nordic Group does not own any processing plants. Processing, product development and several sales and distribution activities are delegated to its member companies.

Here the philosophy is also to return to its members the maximum amount of transfer prices at all times. Its office in Trondheim has 11 employees with one person specially responsible for activities in the USA. Two persons are employed as quality controllers.

The first years that the Nordic Group sold goods to the USA, sales were handled by an agent. In 1977, the company set up its own sales office in Boston, Nordic Group Inc., which from 1980 has handled all sales from Norway. In the last few years, the office has had a staff of around 4 persons, whereof two are active sales people. The Nordic Group Inc. essentially handles sales of goods delivered by the parent company (Annual Report, 1982).

The sales office in the USA serves primarily its 60-70 regular customers. The company tries to develop delivery programs that last one year with its largest customers. Otherwise, market penetration takes the form of fair participation, meetings or annual meetings of important organizations (e.g. the National Fisheries Institute). Some of the market penetration takes place in direct cooperation with the head office in Norway and the association members.

An example of such an activity was a tour of the USA in 1987 for members within the Norwegian factory trawler fleet, where they

visited some of the company's customers. A similar event for land-based producers took place in 1988.

The strategic scope of the company is within trading and sales. As far as possible, the association tries to profile its brand name "Fjord Fresh" for the restaurant and institutional household market. The company places emphasis on a flexible organization, and the member companies are not obliged to sell through the organization on free markets.

In this way, the ties between the members and the sales company are not as contractual and rigid as within the Frionor system, where the companies, to a major extent, must sell their frozen fish products in Frionor's name.

4.3.2 New sales establishments in aquaculture - and shellfish

During the last few years, a number of cooperative sales companies have been established in the aquaculture industry. Examples of such companies are Norfood Group A/S, Westfood A/S, Lerøy Aqua Group A/L (a separate company in the Lerøy Group) and Norfra A/S. These companies differ with respect to organization, ownership form and ties to suppliers, but they have mostly secured their position through mutually binding agreements. For example, the food fish producers must deliver a certain percentage of their production through the sales company, in return

for guaranteed sales of their products at profitable prices (Hanssen, 1987, Korneliussen, 1987).

In 1987, the cooperative company Uniprawns A/S was established with head office in Tromsø. The shrimp industry in Norway has consisted of a number of independent production companies with export rights. The need for larger units to follow-up larger contracts (the MacDonald contracts), to avoid price competition and to achieve advantages of scale, resulted in the establishment of a cooperative company by 5 shrimp producers from North Norway. Company sales in 1987 were around 130 million Nkr, with the USA as its most important individual market.

A similar establishment initiated by producers in the shellfish industry is the sales company Sirius Seafood A/S. This recent establishment (1987) is owned by four shipping companies involved in catch and on-board production of scallops in the Barents Sea. The USA is the absolutely most important market for scallops (Lines, 1988), and has received almost all of Sirius Seafood's sales volume.

Ideological basis and activity strategies

The principal objective of the cooperative companies is to secure the best possible prices for their members through coordinated production and active sales and customer work. In their company

prospecti they emphasize quality and continuity. They attempt to achieve the former through collective quality control and routines, while with respect to supply they emphasize "integration" or "cooperation" with many (20-50) along the entire Norwegian coast. Re-packaging and composition of products/fish species, as well as physical distribution (logistics) are central areas of activities for these companies.

Similar to the sales companies in the frozen fish sector (Frionor and the Nordic Group) we now see the emergence of several joint ventures between cooperative companies. For food fish producers this may involve securing and purchasing fat and feed, as well as biological support and quality assurance. We also see some efforts to arrange joint insurance and financing. In other words, an important area of activity for the sales companies is to provide their cooperative partners with information services and expertise assistance.

Product spectra and market areas vary from company to company, but the product spectrum is mostly limited. Within the salmon sector, fresh salmon continues to be the most important product. Uniprawns sells only frozen shrimps, and Sirius Seafood frozen scallop products. The target groups for the salmon exporters are primarily the large fish markets in New York, Paris, Milan and London, as well as industrial production in Europe (smoke-curing

and processing plants). The industrial segment (importers and distributors) is the target group for frozen products.

Organization and strategic scope

The strategic core of these companies is in sales and marketing. It is the expertise and contact network of the sales staff in the market and among suppliers that strengthen the existence of these companies. In the long term, we assume that a greater degree of integration will emerge. Such integration may occur, for example, through the purchase of a fat production plant (e.g. sale/-bankruptcy) or by establishing sales offices in important markets. The latter has already been done with Norfra's establishment in France.

Transport and storage functions are important to these companies, but must be considered standard services that can be bought freely from specialists in these fields. Companies with a tradition of production plants with storage facilities will be able to utilize these.

4.4 Individual production businesses with sales and trading activities

Within the Norwegian fisheries, there are several production companies with extensive sales and trading activities. Flexibility

in the production sector, combined with market monitoring and customer contact, constitute much of the main philosophy of these companies. Some of these companies have been pure production businesses with limited and occasional exports, but they have seen the value of having certain feelers in their markets. They can be considered fully integrated if they also control their own fleets. This type of integration represents a strategic scope that is different from, e.g., that of Nestle-Findus.

An example of such a company is Øksnes-Langenes Fiskeindustri (ØLF) (ØL Fish Industry) which, besides being Frionor's largest supplier of fish products, also has invested in its own sales and trading department:

"Market knowledge has meant much to ØLF. We have made a virtue of the necessity of operating with deliberate planning. One must see where the market is and what it wants. The primary objective for us is to utilize the raw material to its maximum. With direct contacts in the market, we get a quicker response to a product and can adjust to the customer's needs."

(Jan Helge Dahl, Sales Manager, quoted by the newspaper "Vesterålen", 1988.06.01).

Øksnes Langenes Fiskeindustri has a business volume of 220 million Nkr (1987) and 390 employees at sea and on land. The sales department consists of three persons in an administration of 30 employees. The corporation has its own trawlers and is presently expanding its area of activities to include aquaculture as well.

While Øksnes Langenes Fiskeindustri is one of the major businesses within the Frionor corporation, Brøderne Aarsaether (The Brothers Aarseather) in Ålesund is the largest company in the Nordic Group cooperative. The corporation has a total of 750 employees with several production plants in Finnmark and its own trawler fleet. Fifteen employees are more or less occupied in sales and trading activities.

The strategic scope of both these companies is in production and they also have a strategic advantage through ownership and integration in the catch sector. In the production sector, they invest in a broad product spectrum based on several fish species, which is expanded when the supply of raw material and the production capacity so permit.

We find a number of different types of production companies with sales and marketing departments. A minority of them are as large as Øksnes Langenes Fish Industry or possess a great degree of integration and a varied product spectrum, as The Brothers

Aarsaether. However, most of these companies have quite a limited product spectrum, or they invest heavily in one specific sector. Thus they do not exhibit the same degree of flexibility in product variations as do the companies in the cod fish and herring sector, for example. On the other hand, they have the same philosophy of being as close as possible to the market, based on their relative capabilities in areas such as expertise, production and capital. Fish farmers have the advantage that their supply sector is relatively stable and controllable.

Examples of more branch specific or product specific companies are HR Sea Products in shrimp production, Midsundfisk A/S, Sotra Røkeri A/S, Austevoll Røkeri A/S and Norsk Akvakultur A/S in aquaculture and specialty salmon products.

In aquaculture we find at least three types of companies. One type is involved in the production of food fish together with trading activities in fresh products (e.g. Midsundfisk A/S). The other type also operates one or several processing plants for specialty salmon and trout products (e.g. smoking) (A/S Austevoll Fiskeindustri and Sotra Røkeri A/S). The third type does not operate its own food fish production, but is involved in extensive processing based on more or less permanent deliveries from food fish plants (e.g. Austevoll Røkeri A/S). In other words, the scope may vary, from pure production activities (food fish) to

pure processing (specialty products, smoked products) or a combination of the two.

Strategies will differ since the first type possesses expertise and resources in food fish production, and with unlimited trading capacity it can buy fresh goods from other fish farmers or fresh goods suppliers. A plant with a smoke-house can define processing as its specialty (smoking/raw pickling), and if its capacity permits, it can produce products of fish species other than its basic raw material (often salmon). A complementary product spectrum is also desirable from a marketing view-point, and will in turn generate a greater variety of products.

Companies such as Torris Products Ltd., Kvalos A/S and Mowi A/S (before its merger with Skaarfisk) possess the greatest possible degree of integration in aquaculture, since they, besides food fish plants and sales and marketing departments, also own fat production plants. A different type of company in the salmon production sector is Atlantic Salmon A/S. This company operates two hatcheries and a small food fish plant. The company has decided to invest in the marketing of processed salmon and trout by taking over and developing the expertise and production technology of a merged company, L.O. Hegstad A/S, a company with many years of expertise in the production of smoked and raw-pickled salmon.

In the split cod/salted fish sector, companies like Roger Fiskerstrand A/S and Lorents A. Lossius are examples of production businesses with their own sales and marketing departments.

Lerøygruppen (The Lerøy Group) is one of the pioneers in Norwegian production, processing and export of fresh fish products. With its head office in Bergen, the company controls six production plants, from Bremanger in the north to Bremnes in the south. In 1986, its subsidiary, Lerøy Aqua Group, was Norway's biggest exporter of salmon and trout, with exports of 4,200 t (Fosheim and Parman, 1987). This cooperative company is associated with over 50 suppliers along the Norwegian coast, and apart from production, it is also involved in distribution, trading and marketing.

In order to provide a concrete illustration of this category of companies, we will briefly describe the Domstein Group, Kvalos A/S and Faco A/S. The Domstein Group has a production-generated trading department. We also find a large degree of specialization (in production), but with a certain fragmentation in sales and marketing. We would also like to emphasize that several of the companies in this category supplement sales with production from other businesses.

Kvalos A/S is part of the Selmer-Sande Group, with salmon and trout as its specialty. Integration and growth through acquisi-

tions and processing is a central strategy of this company. Faco A/S, on the other hand, is a market-generated production company with relative emphasis on marketing. Similar to companies such as Saco Marketing A/S, Austevoll Røkeri A/S and Sotra Røkeri A/S, their strategy is to achieve brand name loyalty through niche adjustment.

4.4.1 The Domstein Group: Growth through productivity and reorganization

One of the Norwegian companies showing the strongest growth in the 1980's is the firm R. Domstein & Co. with head office in Måløy. In 1980, sales were about 60 million Nkr and in 1985 they surpassed 300 million Nkr. In 1987, sales were estimated at around 500 million Nkr ("Norwegian Fisheries". 1988).

Ideological basis and activity strategy

The company is perceived by the management as a production business which in the coming period will prioritize consolidation and secure improved utilization of its production capacity (Domstein, 1987). In order to obtain better prices, the company will give priority to quality and improved product adjustment. The ideological basis of the trading department is that of being a listening-post for market signals. By combining market signals with a large, integrated production capacity, the company

achieves flexibility, another of the catchwords in its corporate production activity. Increased market orientation and understanding will secure its production activities, and ensure efficient reorganization according to the expectations and demands of the market.

The company invests in a broad and varied product spectrum, with a low degree of processing. In production, the Domstein Group works particularly with herring, but mackerel, pollock and cod are also included in the product spectrum. The products of the trading department, apart from its own production, are salmon and trout.

For a company that invests in the product/market combinations of the Domstein Group, the value of exports to the different markets will vary from one year to the next. Herring, mackerel and split cod/salted fish are not always equally easy to sell or available from suppliers. Generally speaking, the company regards the home market as its most important base. Next come Japan, the USA and West Germany. With respect to split cod/salted fish, other markets are targeted (e.g. Brazil).

Its distribution strategy varies with the country and fish species sold. In Germany and Spain, the company has its own agents. In the USA, most of the sales go through an importer. Much of the sales activity involves participation in food fairs

and visits to customers. Trust in customers and suppliers is placed highest in the company's business philosophy. As opposed to other companies of the same size, the corporation does not invest in its own sales representatives abroad. This saves the business from fixed costs.

Organization, strategic scope and internal capabilities

The company has been expanded in several stages since it was established by Rasmus Domstein in 1924. Freezer operations began in 1950, and up to the end of the 1970's, company activities involved production with little export activity. An earlier offshoot on Raudeberg (conventional production and cold storage) was expanded into one of the country's largest freezing works and split cod operations.

Further expansion came in the form of the acquisition of Bremanger Fryseri A/S (Bremanger Freezing Works Inc.), an ultra-modern plant for herring processing. In 1982, the company bought a neighbouring business, A. & S. Midtgaard in Måløy, and thereby increased its herring processing capacity. Domstein later took over the bankrupt Selje Fiskeindustri (Selje Fish Industry), and acquired a majority of shares in the split cod business Alex Refvik on Raudeberg. In the aquaculture sector, the company has a fish farm in Bremanger, but the corporation's emphasis in processing is on herring production. The corporation presently

owns six modern fish processing plants with a production of 50,000 t per year and a capacity of 75,000 t.

In 1980, the company set up its own sales department, and a network of agents and distributors was established. This event came about when one of the company staff graduated with an MBA. Apart from selling its own products, the company also trades in fish products from other producers. This applies particularly to salmon and trout from fish farmers.

The sales and trading department consists of seven individuals whose tasks are distributed according to the exported fish species (split cod/salted fish, aquaculture fish, herring/fresh fish), one person handles renting and coordination of transport services, and there are two secretaries.

The company is about to become a fully integrated business in several areas of Norwegian fish production. Its ambitions to buy into the fleet sector and acquire minority interests in fish farms and production plants in Finnmark shows that the company works actively to secure its supply of raw material. The reason is that it will enable the company to utilize a large production capacity, reduce price competition, and strengthen its marketing in the form of continuity, quality and product spectrum. The company considers its strategic emphasis to be on production. This applies particularly to herring production, where it

believes its processing plant is the most efficient in the country.

4.4.2 Kvalos A/S: Integration in aquaculture

Kvalos was one of Norway's first salmon exporters, and its traditions in fish production and exports date back to 1924, but then under the name of Kvalheim & Co. The family-owned business began production and later export of herring, mackerel and pollock. It was not until the beginning of the 1970's that salmon and trout were included in the product spectrum. Its present name is a result of the merger of the two companies Kvalheim & Co. A/S and Osmundsvaag A/S in 1979.

Ideological basis and activity strategies

The company prospectus is headlined "handpicked quality" and further emphasizes that achieving full integration, from fat and feed production upwards, provides the basis for first class quality control. The company sees possibilities of getting closer to the customer in important markets, for example by investing in the supermarket sector. For this purpose they have tested such a venture in the USA with good response. Because of the limited supply of salmon the timing was not right for entering this sector with full capacity.

Even though the company emphasizes expansion of its marketing activities, it is mostly involved in trading and sales of its salmon products. Kvalos previously produced pollock fillet, cured herring and mackerel fillet for Frionor, but since acquiring its own production plant in 1986, it has increased its salmon and trout activities. Its primary markets are the USA (35 %) and France (35 %), while Japan is counted as an interesting and growing market.

The company invests in its own distributors (not agents) in the receiver countries and has few, but regular, customers. In our interview with the company, a clear desire was expressed to get closer to the end consumer (towards the supermarket sector) in important markets. This is also related to the plans for establishing a company-owned processing plant in the Måløy region (interview with Gunnar Nore, Managing Director, in "Dagens Naeringsliv (The Industrial Daily) Feb. 23, 1988).

Organization, strategic scope and internal capabilities

In 1985, the company became a subsidiary of KS Norlaks AS, and is associated with companies such as Noraqua, Norbio, Norfico and Biotec, with outcrops in the Selmer Sande and Teleinvest Groups. The business is one of the cornerstone companies in Sogn og Fjordane, with around 35 employees. In 1987, it had sales of around 150 million, it has its own food fish plant, as well as its own

supply of fat through affiliated firms. In a 9 person management department, five people are more or less engaged in trading and sales.

Through cooperation with other Noraqua companies, it has access to expertise and support in fat and breeder fish production, feed production and R & D of new species. In other words, Kvalos is a fully integrated aquaculture and processing company. As mentioned earlier, Kvalos also has its own trading department with 5 employees. The department also sells salmon from several fish farmers, most of them from Sogn og Fjordane. Contracts with food fish producers are based on the principle of "gentleman's agreement".

Kvalos invests in growth through acquisitions and mergers with medium-sized fish farms. Plans to develop its own processing plant in cooperation with a Japanese company must be interpreted as a stage in an expansive growth strategy. In relation to other aquaculture companies, Kvalos has the advantage, as a part of the Selmer Sande Group, of having access to central support activities. Through Noraqua, the company has invested large resources in R & D centred on the aquaculture industry, and regards its special expertise as its greatest competitive advantage (cf. interview in "Økonomisk Rapport" (Economic Report), No. 5, 1988).

4.4.3 FACO A/S: Concentration and niche thinking

Faco was established in 1982 and began its activities with export of shrimp as well as a number of other fish products. After an initial test period, the company limited its product spectrum to shrimp and smoked salmon in consumer packages. The company has around 12 employees, whereof two are in the USA. This number also includes 7 people employed in production/processing.

Ideological basis and activity strategy

The company's business philosophy is to deliver first class products to quality conscious customers on the international markets. It invests specifically in non-volume products that provide reasonable margins, and which can be marketed under their own names. Its aim is to concentrate activities in a few markets. In the short term, volume products will be important, while the long-term aim is a product spectrum with sophisticated products and niche specialties.

Faco's subsidiary, Faco N.Y. Inc., operates from New York. In our interview with its management, we were told that this office will be closed in 1988, and it will be replaced by investment in cooperation with an existing agent firm in the USA. Apart from handling imported Norwegian goods, it also imports fresh salmon from Canada. The company also markets live crabs. Its principal

markets, apart from the USA, are in Europe (Spain, France and Italy). Marketing is under the name of "Silver Peak", a symbol of quality.

Organization, strategic scope and internal capabilities

The company has a controlling interest in a modern smoke-curing plant in Norway. As previously mentioned, it has its own sales office in the USA (Faco N.Y. Inc.). The company is also a co-partner in a fish farm in British Columbia in Canada and in a processing plant in the same area. This company is now expanding into several fish farms. There continues to be some uncertainty regarding Faco's involvement in food fish production, but it continues to have an interest in the sale of salmon products from various farmers on Canada's west coast.

The company can be considered a sales and marketing company, with networks and owner interests that secure raw material, production capacity and control of its products. Its strategic emphasis is on marketing, where it also attempts to achieve market strength through its own brand name. The closing of its sales office in New York and altered strategies in the supplier sector, show that the company has not yet found its strategic form.

4.5 Summary

In this chapter we have identified and described the ideological basis, activity areas, marketing strategies, internal capabilities, organization and strategic scope of selected Norwegian production and export companies. Our main focus was on downstream activities related to sales and marketing. Based on our review of a number of companies involved in the production and sales of seafood, we present, in Figure 5, a summary of the most important value activities from catch to marketing. In the figure, we have made an effort to separate primary activities that provide a basis for specialization and the choice of strategic scope. The support activities are only intended as examples.

Support activities	Infrastructure: Adm./Economy/Financing/Consultant assistance/Personnel/Work force/Training					M
	-Technology/Capacity/Product development/Quality assurance					A
	Acquisitions/Purchase					R
Primary activities	Primary production	PRODUCTION			Marketing	G
		Basic prod.	Processing	Sales/Trading		
	- Catch	- Reception	- Production of brand	-Distrib.	-Mark.surv.	I
	* Fat production	- Bulk catering	name goods for consumers	-Export	-Channel support	N
		* Food fish production			-Promotion/Publicity	
					-Pricing	

Figure 5 A general value chain for Norwegian seafood industry
(* applies to aquaculture)

The traditional fishery industry differs from aquaculture in that the catch sector is very different from controlled production of fat and food fish. But within aquaculture, the differences between fat and food fish production with respect to technology, expertise, laws, etc. are so great that it is natural to separate them. In our value chain, we chose to place catch and fat production in a category called "primary production".

We also chose to divide the production activities into "basic production" and "processing". With basic production we mean reception and slaughtering of salmon and other sea products, as well as packaging for resale. We also include conventional production of cod fish and shellfish, fillet production in bulk, blocks and catering. It is our opinion that this production process in many ways differs from processing and production of brand name goods, where there are, for example, more stringent demands on quality, expertise and technology. We will later discuss the differences in sales and marketing activities.

As an introduction and a part of our frame of references, we described the multinational food giant Nestle. Among Norwegian companies, Frionor Norsk Frossenfisk A/L and Norway Foods A/S are in a category of their own, with their strategic scope in processing and marketing of brand name products on the consumer level in several international markets. Just as for Nestle, the objective of their brand name strategy is to meet the competition through

product differentiation and a high profile. Such a strategy leaves room for wider margins, weight in the market, stable demand and long-term interest centered on their products. On the other hand, such a strategy leads to high costs for processing, product development and marketing, and they are less cost flexible in this respect than pure trading companies. These companies also have several sales and import companies in their central markets. Frionor also has internationalized parts of their processing.

We can assume that companies with large investments in markets based on long-term contracts, regard expansion of their product spectrum and of the scope of their sales and marketing as an important task in order to achieve advantages of scale in the market sector. They must also secure supplies so that they do not suddenly find themselves without raw material for their processing and their long-term customer contacts.

Another group of companies were described as cooperative companies based on sales and trading activities. Most of these companies are involved in fresh product distribution and are characterized by a large degree of flexibility. Their investments in physical assets are small, they are very staff dependent and their strategic emphasis is on sales. Many base their entire operations on volume trading. In these companies there is often discussion about possible associations upward or downward in the vertical chain in order to eliminate uncertainty.

The fact that they are based on fixed margins, make them more dependent on raw material than on market access, since the margins are based on total volume sales. Their growth focus is therefore on the supplier side: through several suppliers/fish species (volume activities). Their customer segments are importers on the whole-sale level and processing plants in the receiver countries. Some companies have direct contacts with catering companies in the receiver countries.

The last group of companies that we described, individual producer and export companies, is in many ways an intermediate group between the two discussed previously. They are closest to the group "marketing companies" in that their strategic scope is in production. They often have fixed ties to capital and personnel in production, which makes them more vulnerable and less flexible than pure sales and trading companies. Their planning horizon must therefore be somewhat wider, and if they are to secure growth, it is often done by increasing the capacity within the production and raw material segments.

Since their production capacity must be planned according to fish species and locality, they become product dependent to a certain degree and their shipments are not as flexible as those of the sales and trading companies. To a lesser degree than "the marketing companies", they envision increased value creation through

processing, and therefore base their growth on increased production capacity and other volume activities. New fish species can be added to existing production lines or through their own trading.

In times with good market prices, they have opportunities for wider margins than pure sales companies, which in such times also must compete for scarce and expensive raw material supplies. In times with good market prices, individual production units also find good reasons to get involved in trading activities with their own products. In this way, they can take better advantage of the short-term creation of value that brand name producers, for example, eliminate in order to achieve long-term profitability.

When times get worse, margins smaller and sales are sluggish, individual producers desire stability and a market for their production through sales or marketing companies. Companies will in particular secure contracts for sales and prices based on a long-term price strategy. On the markets there are also a number of participants who buy selectively from Norwegian exporters and who, when times are bad, pull out without any great expense.

In the market segment, the individual exporters are closer to the group 'cooperative and sales companies' since they, to a great extent, sell and trade parts of their own production or that of others. The sales department functions as a listening post towards the market, and makes these companies responsive to rapid changes

in the environment. In this way, they differ somewhat from pure production companies.

The customer segments are about the same as for the sales companies, but they often do not reach as far forward in the distribution chain. We presume that their primary target groups are importers, wholesalers and processing plants in the receiver countries. This is also expressed in marketing activities where sales and trading companies, as well as individual exporters, devote most of their marketing to company marketing, through trade fairs and advertisements of business opportunities in trade journals. For companies that work with brand name products, the costs of brand name advertizing, channel support and promotion activities are the main expense items.

We also defined the niche specialists under this group, based on their limited opportunities for market penetration and internationalization. Since what these companies know best is production, several of them show trends towards horizontal integration by purchasing production units, which we see, for example, in the Domstein Group. The fact that several of these companies sell for other and smaller companies, also makes it easier for them to merge them under their ownership. But we also have several examples of production companies that increase their activities in the market segment by establishing their own sales companies in important markets. This in turn can act as a driving-force to

broaden the product spectrum in order to take advantage of large-scale operations in the sales sector.

Quite a number of companies begin with a limited product spectrum. This is the case within the aquaculture sector, and in the shrimp and shellfish sector. Alternative growth and synergy strategies are to expand the range of products to several varieties within the same fish species and processing, as is the case in the canned goods sector. A less complicated alternative is to expand the product spectrum with several fish species and adjusted production and/or distribution, as is often the case within fresh fish sales. In aquaculture, we see the contours of both these strategies.

The transition between different preservation methods (fresh, frozen, conventional) can act as a considerable barrier to production and distribution. Selling fresh fish products appears considerably different from selling frozen goods or goods with a long shelf life. Even companies with excellent resources, such as Nestle and Frionor, can confirm this. Fresh fish sales make great demands on speed and flexibility, are fraught with much uncertainty and strongly fluctuating prices. There are also considerable market barriers between various types of preservation, such as salted fish, dried fish and frozen fish.

In Figure 6 we have attempted to systematize, as much as possible, similarities and differences between the three categories with

regard to important strategic dimensions. The transition between the different companies is somewhat fluid, and exceptions are found in every category. But overall we found explanations to why the different companies relate to their environments the way they do, and why they regard their relations as a rational adjustment to their environment, given the internal limiting conditions.

On the other hand, we did not raise in this report the question of whether there exist superior adjustments between the seafood industry and its environment. It is only when we include market opportunities and threats that we get a better understanding of the relative competitive advantages and possibilities. However, the knowledge we have of the American market indicates that the export activities are too fragmented.

Stronger activities are required if the exporters' need for a larger market share are to be met. Larger units mean more resources and greater freedom to choose profitable and long-term strategies. The small companies must have better day-to-day backing for most of what they do, they do not have the capital and expertise necessary to penetrate a market with high entry barriers, but which would also provide wider margins and increased stability, as is the case, for example, in the brand-name product market.

If we look at all the companies that export to our largest individual market, we cannot defend the claim that Norwegian seafood export is centralized and controlled through strict concession rules. Based on the resources available to our seafood industry, a more fragmented presence in the market would hardly serve the total value creation. This applies particularly when we know that on various levels (production, distribution) and within various segments (restaurant, catering, retail) only a few companies dominate the entire American food market.

Having said this, there are also government regulations that set limits for a sensible adjustment to the market. With respect to the market, there are limitations to the choice of product spectrum. With respect to raw material and suppliers, exporters have little control over development, and often have to sell considerable quantities in a stagnant market with resulting pressure on prices and losses.

COMPANY TYPOLOGY

	Strategic elements	Marketing companies	Sales and trading companies	Individual producer & export companies
1.	Ideological basis	Quality Ability to deliver	Quality Flexibility	Quality Efficiency
2.	Product spectrum	Market generated Varieties in depth/width	Margin and and market generated	Production and raw material generated
3.	Customer segment	End consumer	Wholesaler Catering	Importer Processing
4.	Geographic scope	Concentration Tariff generated	Very wide distribution	Wide distribution
5.	Competitive strategy	Brand/name Quality Market support	Flexibility Volume/price	Price Stability
6.	Planning	Long-term	Short-term	Moderate
7.	Strategic scope	Processing/ marketing	Sales/trading Distribution	Production
8.	Growth	Enlarged product spectrum Value activities	Cooperation Volume activi- ties	Volume Purchase of produc- tion capacity
Company examples:		Nestle-Norge A/S Frionor Norsk Frossenfisk A/L Norway Food A/S	Nordic Group A/L Johan J Helland A/S Ølesundfish A/S Norfood Group A/S Westfood A/S Lerøy Aqua Group A/L Uniprawns A/S Sirius Sea- food A/S	Domstein Group Kvalos A/S Faco A/S Øksnes Langenes Fiskeindustri A/S Br. Aarseather A/S H.R. Sea Products Austevoll Røkeri H. Lerøy A/S R. Fiskesand A/S Torris Products Ltd

Figure 6. Differences and similarities between company categories

5. THE MISSION, ACTIVITY AREAS AND STRATEGIC SCOPE OF EXPORTERS

The mission is intended to serve as a basis for a company's activities. In other words, it is a frame of reference for strategies in various areas of activities. In the professional literature, the content of the concept varies somewhat from one author to another with respect to details, but there is still general agreement that "mission" is a collective concept that answers the classic questions: "What branch are we in? (Holbek, 1984). What type of business do we have, and what type of business do we intend to create? (Learned et al., 1969). In what direction should the business develop? What capabilities will better equip the business to carry out its tasks?"

The mission is of importance in formulating a company's other business and activity strategies, and should serve as a criterium to determine the reasons for a company's existence. Holbek (1984) says that the mission should be designed to satisfy the demands for guidelines, at the same time as it must create involvement and motivation among the members of the company in the implementation of the strategies. In addition, it should be sufficiently concrete to be practically implemented, but sufficiently abstract to promote flexibility in changing and turbulent environments.

5.1 Mission based on quality and delivery capacity

Since we chose to focus on export companies within the seafood sector, we did not emphasize discussion of the general ideas of the companies or what branch of industry they belong to. However, we have attempted to objectify the basic ideas or the strategic mission as they appear, e.g., in Holbek (1984). On this level the mission can be related to a number of different strategic areas, such as products offered, market needs, technology, production capacity, growth, productivity, etc. (Tregoe and Zimmerman, 1980).

We based our work on a number of company prospecti from Norwegian and foreign companies, gathered at trade fairs and similar events. We also used annual reports and descriptions from companies reached by mailings during the first stage of this work. From these we selected the following elements (underlined):

1. Product characteristics: quality, product spectrum
2. Market/customer characteristics: service, confidence,
reliability
3. Capability characteristics: flexibility, delivery
capacity
4. Result characteristics: efficiency

In our questionnaire, we asked which three suggested concepts or elements best represented the company's mission. The companies were asked to rank them from 1 (most important) to 3. The results are shown in the table below. It shows how many participants reported priorities 1 to 3, and how many times the various elements were not included among the three ranked for each case. When limiting the total sum, we accorded three points to rank 1, two points to rank 2, and one point to rank 3.

Table 1. Most important elements of the mission of Norwegian seafood exporters. (N=30)

ELEMENTS	Priorities			NOT MENTIONED	TOTAL VALUE
	No.1	No.2	No.3		
1. Quality	20	5	2	3	72
2. Delivery capacity	3	9	5	13	32
3. Trust	3	2	6	19	21
4. Reliability	2	1	7	20	16
5. Flexibility	1	5	1	23	14
6. Service	1	3	5	21	12
7. Product spectrum	0	3	2	25	8
8. Efficiency	0	1	2	27	4

Two thirds of the respondents (20 units) ranked quality as the most import element of their company mission. In other words, there is no doubt that Norwegian seafood exporters regard quality as important, and that they also use it deliberately when profiling their company can be seen in a number of trade journals, magazines and food fairs. This fact was also confirmed in our description of a selection of individual companies (cf.

preceding chapter). Quality here refers to raw material and product quality.

Quality is often associated with other elements, or an expanded message, in the company prospecti we have examined. Norway Foods A/S profiles itself as "World Marketer of Quality Products", which also informs us that here is a company that views the entire world as its area of activity. Other missions that express quality are, for example:

<u>"Handpicked quality"</u>	Kvalos A/S
<u>"Quality is our reputation and our pride"</u>	Nordic Group A/L
<u>"Quality is our most important product"</u>	Nestle Norge A/S
<u>"Quality and product development"</u>	Leica A/S
<u>"Quality all the way"</u>	Westfood A/S

A strong number two among the elements is delivery capacity. Thirty percent (9 units) ranked delivery capacity second from the top, while 10 % ranked this element as number one. Also in this case we do not find any noticeable difference between the companies with different product spectra and fish species. Salmon exporters regard delivery capacity and quality as their major competitive advantage, while producers and exporters of cod fish and shrimp see problems with unstable and fluctuating raw material supplies. For the latter group of exporters, flexibility is very important. This applies in particular to exporters of

fresh goods, and exporters who invest in a varied product spectrum (several fish species).

Trust and/or reliability emerges as the third most important element of the mission. It is clear that the exporters make an effort to profile their companies as reliable when it comes to promises of quality, delivery capacity, price and other important aspects included in transaction relations. It is confirmed to be the most important success factor for exporters of Norwegian salmon (Haugland, 1988).

Very few companies mentioned any type of result characteristics (profitability, growth, market share, etc.) in their company profile. As shown in the table above, only 10 % of the companies ranked efficiency among the three elements. None of the companies ranked efficiency as the first choice.

The results indicate that it is the properties of what is sold (the products) and the manner in which they are sold (delivery capacity and reliability) that are the most important components of the missions of Norwegian exporters.

In other words, there are three central concepts that keep emerging as a general mission for export of Norwegian seafood: quality, delivery capacity, and reliability. These elements, or "success factors" should form the basis for the various activity

strategies. In cooperative ventures it would also be important that these elements not just be a plan or "empty promises", but actually be maintained.

5.2 Product specialties and composition

We obtain a more concrete view of the mission when we clarify a company's specialties in the product segment, what type of services it provides (Dill, 1958). Porter (1985) uses segmentation scope also in the product segment while we chose to tie the segmentation concept to customers and consumers. With respect to the marketing theory, the concepts of differentiation, assortment, varieties or product spectrum are closer to our approach.

We chose to specify the output of the export industry as product varieties or categories. We made this an open question to see, for example, how the participants themselves interpret their product ranges. Theoretically speaking, nothing prevented them from using such terms as differentiation, sales services or other types of outputs. In this way we also had an opportunity to study the degree to which the concepts were used in a concrete or abstract sense.

Out of 30 companies, there were only two informants that used concepts with a relatively high degree of abstraction in food production. These were "Frozen food products" and "Consumer

products of different types". The second most general categorization was "fresh and/or frozen fish", reported by four companies with a high degree of variety in the product spectrum and number of fish varieties.

Preservation forms, such as "fresh" and "smoked" were most often used by salmon exporters. Six informants used "fresh salmon/-trout" first, while "smoked salmon" was used by five informants. One used only the concept of "salmon" as a specialty. Some of them also used a finer degree of specialization, such as "in consumer packages" or "fillet" and "steaks".

The group of product specialists is most pronounced within split cod/salted fish, shrimp and scallops. Seven of the companies here answered concretely with the term "split cod/salted fish", "IQF shrimps" and "scallops". One group of three companies called themselves specialists in "fillet varieties".

Based on the terms used by the exporters, we attempted to reflect the fact that the range of the product spectrum primarily follows three major dimensions:

- Preservation form (fresh, frozen, salted, smoked, canned..)
- Degree of processing (portion sized, form, brand names, varieties ...)
- Fish species (cod, haddock, salmon, trout, shrimp)

For producers and exporters these demarcation lines are also the most critical when it comes to choice of product-market strategies. The differences can be particularly great between fresh and frozen products with respect to technology, distribution and marketing. This was also confirmed in Chapter 4. However, if fresh products are sold, distribution and customer groups are often not as dependent on the type of fish species. Degree of processing is often related to brand-name and specialty products, with higher capital investments in production and marketing. We associate a pure expansion of the product spectrum through an increase in the number of fish species, or through a transition to other forms of preservation, with "volume activities". The reason can be a desire to improve the utilization of capacity and reduce the costs per transaction or per unit sold. Processing and product differentiation, we consider as "value activities". These activities are more demanding with regard to market contact and customer focus. We have outlined below how various forms of product specialization can lead to increased growth.

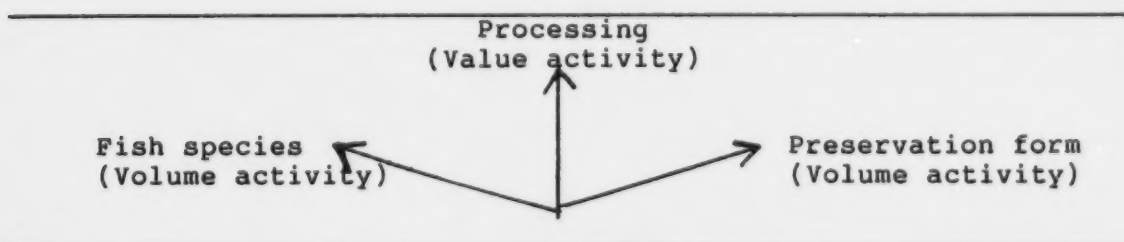


Figure 7. Product specialization tied to growth potential

In our questionnaire, we wanted to clarify how the exporters viewed their company's product composition range on a general level (independent of the market). We presented statements along a 5 point scale, from very poor description to very good description, where the respondents had to evaluate how well each statement suited their company in connection with the comment: "We invest in". In the Table below, we list the frequency distribution in percent of the question, where the two highest and lowest alternatives were joined together.

Table 2. Exporters' view of product composition (N=30).

Statements: "We invest in ..."	Poor	Neutral Description	Good	Total
	%	%	%	%
Product spectrum width	53	13	34	100
Several kinds of fish species	50	7	43	100
High degree of processing	28	31	41	100
High brand profile	10	10	80	100

The table indicates a fairly clear trend towards specialization since more than half of the respondents describe their product spectrum as limited both with respect to its width and to the number of fish species. As mentioned before, this is the case particularly in the salmon and shrimp sectors. Around 10 percent of the companies state that they have a very broad product spectrum and/or offer several different fish species. Some companies have clear ambitions to expand their product range as

they learn to control their existing product spectrum and distribution.

With regard to the degree of processing, the evaluation was more neutral with a trend in the direction of evaluating company products as somewhat processed. If we check this against the actual situation, we find that some exporters with a large degree of fresh fish and bulk production (institutional/catering) perceived this as a high degree of processing. If we view this and the response distribution for brand profile where around 80 % of the exporters felt they had a high market profile, we are faced with an "interpretation problem".

Exporters of fresh fish, where brand or producer name often disappear on the fish markets in Japan, London, New York and Paris, perceive themselves as producers and exporters of brand name products. This is not what we consider "brand name products", but a form of marketing of industrial goods with producer profiling aimed at specific customer segments. Such profiling can be of value in those cases where the customers deliberately choose special products for further distribution or processing. There are particular advantages in this if high prices are obtained for profile and quality, or if, in difficult times, there is still a market for products or the price reduction on the products is smaller than that of the general market.

In our conversations with the exporters, it was often clear that they would like a higher degree of processing and a stronger brand profile. This desire, combined with the fact that "high degree of processing" and "brand name" often give a higher status and visibility, and also coincide with our country's political desire for full employment, helps explain why the response distribution for these questions is not a true reflection of the actual situation. Mintzberg's (1987) distinction between plan (desire) and pattern (actuality/action) in the strategy concept, appears to have been confirmed in this respect.

5.3 Geographic scope and market priorities

As we briefly discussed earlier, choice of market is an important part of the strategy concept. With respect to a company's general strategy, we chose to differentiate between geographical scope (choice of market) and customer focus, defined as segments or customer groups in the markets. Even though the companies invest differently in different markets, or in different products (cf. e.g the description of Frionor in Chapter 3), our desire was to bring out the general patterns. We will later discuss in more detail the same conditions in the USA market.

Based on the most important market countries for Norwegian seafood exports, we asked the respondents to rank their company's most important "primary markets" on a scale from 1 (most

important) to 6 (the 6th most important). The results of this question are presented in the table below. In order to get a score for comparison, we gave different values to each rank: rank 1 = 6 points, 2 = 5 points ..., 6 = 1 point. We only included the 10 most important countries, and in the table we also reported how many times the respective country was ranked number 1 (most important).

Table 3. Ranking of primary markets

Rank / country	No. of times ranked no. 1	Total value
1. USA	10	124
2. France	7	100
3. West Germany	2	73
4. Japan	1	52
5. Sweden	1	48
6. Norway	2	39
7. England	1	37
8. Italy / Spain / Denmark	0	19

Seen in value, the USA along with the national market, is our most important single market. The USA received the highest ranking among no less than a third of the exporters who responded to our questionnaire. We must here keep in mind that we had deliberately selected exporters who were active on the USA market. We are also taking into account a certain demand effect since we used "Forum USA" as a background for the study.

If we were to compare these results to our actual fish exports in 1987, West Germany and Japan are higher on our list than in the export statistics. Italy and England, on the other hand, ought to have been ranked higher. Since we gave each participant one vote, or equal value, in our calculations, our data cannot be compared directly to the actual value figures for exports or sales within the country. However, it is somewhat surprising that the national market was ranked so low.

In our interviews, several independent exporters, particularly in the trading sector, put a 25 % limit on the maximum quantity that should be exported to one single market. For example, one of the exporters of salmon sold more than 35 % of its volume to the USA in 1986, and this was considered to be "dangerously high". In the future, this company would reduce its USA volume by at least 10 %. We interpreted this as a form of risk spreading by not "putting all the fish in one basket". What was interesting was that the limit was the same (25 %) for all those who reported their market choices. Such examples also show that many exporters do not have a clear focusing strategy (Porter, 1985) based on market country.

In an open question, we asked the respondents what countries they regarded as interesting markets for the Norwegian fishery industry in the coming five years. Also here the USA was mentioned first and most often, but now followed by Japan with

France in the third place. Italy and Spain advanced on the list compared to the results in Table 3, while Sweden and Norway fared a little worse in visions of the future, compared with the present situation.

The question of to what markets their company would devote special attention during the next two years, produced more or less the same results, with USA first, followed by Japan and France. However, here Spain ranked fourth among countries in which the individual exporters planned to invest. If we take all the questions together, Norwegian exporters of seafood have the following priorities of geographical impact areas for the coming five years:

1. USA
2. Japan
3. France
4. West Germany, Italy and Spain

The USA is ranked highest regardless of fish species and preservation form, while companies who sell, for example, pelagic fish products (mackerel, herring) consider Japan as a strategic market. France is an important market for Norwegian fresh fish, while a number of exporters see great potential growth in West Germany, Italy and Spain.

5.4 Segmentation scope and choice of distribution form

Exports companies are faced with a number of possibilities with regard to segments and customer groups. In this area the strategy can be categorized according to how far forward in the distribution system a company attempts to achieve a position of strength and control (vertical choice), and what customer groups a company wants to reach (horizontal choice) (cf. Corey, 1975). In the first area, a company can choose between brokers, distributors, wholesalers, processing plants or it can move towards the segment that has direct contact with the end consumer (catering, retail). Choice of customer groups can go through the catering market, restaurants and the retail sector. Within these, there can be a further division into different groups of the consumer segment.

In our questionnaire, we asked what types of customers were the direct recipients of the various companies in the export markets in general. The response alternatives were recorded on a 5 point scale from unessential (value 1) to very important (value 5). In the table below we have ranked the choices according to an average score.

Table 4. Importers of Norwegian seafood

VERTICAL CHOICE		HORIZONTAL CHOICE	
<u>Value</u>		<u>Value</u>	
1. Wholesalers	(4.07)	1. Retail	(2.72)
2. Brokers/distributors	(3.36)	2. Restaurants	(2.36)
3. Processing plants	(3.36)	3. Private catering .	(1.81)
4. Agents	(3.04)	4. Public catering ..	(1.52)

Around 80 % of the respondents felt wholesalers were important or very important customers for their company's products, while half of them had the same opinion about the importance of brokers and importers. Only 35 % felt agents were an important target group.

In the last stage before the end consumer, most of the Norwegian seafood probably goes through the large-scale catering market, restaurants and the food service sector. Products are not distributed directly to the individual parties in the last stage, but through distributors on a previous level in the chain (importers, agents and wholesalers). In the last stage, direct contact is best developed with the retail sector (supermarkets) where a little over 30 % of the respondents felt that this segment was an important or very important direct recipient of their products.

Only 7 % of the respondents were not going to change their choice of target groups within the next three years. No less than 85 % planned some changes, while 8 % planned considerable changes in

distribution methods or target groups during this period. Many (more than 40 %) wanted to enter the supermarket segment or get closer to the end consumer (12 %). A certain number (8-12 %) also mentioned changes involving a move towards processing, the restaurant segment, agents and institutional households. Only one of the respondents mentioned changes in favour of the wholesaler segment.

In our opinion, the desires of exporters for greater market strength, and thereby improved potential for increased margins and stability, can be realized through structural changes and reorganization in the export industry. For the group of small exporters, present adjustment may be sensible, based on their product spectrum, volume, opportunities for market support and expertise. An attempt e.g. to circumvent the wholesaler segment, would result in a different competitive situation with greater demands on a market-oriented organization. We have several concrete examples of companies that were burnt by circumventing the distribution segment without the necessary general conditions being in place. A situation will arise where the company must begin to sell to the customers of its previous customers, and this is also a problem it must deal with - at least in the short term.

Since so much of distribution is indirect, we attempted to

identify the more specific consumer segments in the market for Norwegian seafood.

5.5 Summary

In this chapter we have presented a general description of the exporters' ideas and evaluations of the strategic priorities of their companies. Quality is mentioned by most of them as the most important element in the mission of the companies, followed by delivery capacity and reliability. It is on the basis of these elements that the Norwegian seafood industry should develop its long-term profile, and these are the elements that will make importers, distributors and consumers in the receiver countries associate Norway with these concepts. For "Forum USA" and other joint ventures, the next question will be how to ensure that a promise of such a profile will achieve real substance with regard to products, services and business morals.

The latter becomes particularly important when we see how similar the profiles of the various companies are in trade journals and media. The importance that quality has gradually assumed as a criterium for buying, has led to a situation where most companies use the concept of "quality" in their product and company profile. This also applies to our competitors abroad. Consequently, the message or publicity has lost much of its originality - and will probably lose much of its effect.

The existence of many small, independent exporters, as well as our laws, set limits for what type of product spectrum different companies can offer their customers. On this level, we find a varying degree of specialization, from companies who sell only salmon/trout, shrimp or shellfish, to companies like, e.g., Frionor with a very large and varied product spectrum both in frozen and fresh varieties. The degree of processing is low in a number of companies. The fact that many companies work in a sector with low margins and free competition in a trading market, requires a strengthening of profitability through volume activities.

In spite of the fact that we selected companies with exports to the USA, there is no doubt that the USA is generally regarded as an important market for Norwegian export companies. France and West Germany are the nations that most often join the USA as important markets for the companies we analyzed. The USA was also considered an important future market, and many have given high priority to the American continent as an area of investment.

With the exception of a couple of companies, few are working actively to attain strength and market acceptance among end consumers. Most companies have a narrow market horizon on the American market, in as much as they sell their goods through an early segment of the distribution chain (e.g. importers). If we

look only at the small company's product spectrum, volume, expertise and access to resources for marketing support, this market adjustment is sensible. We know several cases where a company tried to sell to the customers of their customers without success. On the other hand, we assume that "theoretically speaking" there will be better adjustments as the structure of the industry in Norway changes.

It is a paradox that so many of the exporters regard themselves as producers of brand-name products, while they in reality are distributors of bulk packages. As in large parts of the food industry in the meat, fruit and vegetable sector, producer brands have not been dominant, apart from the category of "manufactured" varieties. This trend is about to change, and the percentage of brand names in the fresh goods sector is now growing (Olsen, 1988d).

6. ACTIVITY STRATEGIES AND MARKETING IN THE USA MARKET

The companies in our selection had total sales of around 5.6 billion Nkr in 1987. Since some of the companies are involved in indirect export via other companies (sales organizations), we had some problems when estimating the exact export to the USA based on net figures. But we assume that the companies in our study export around 20 % of their total volume to the USA. The USA percentage varies greatly from company to company. In our selection, the USA percentage was less than 10 % of the total volume for 22 % of the companies, while 14 % of the companies had an export share to this market of more than 50 % of their total volume.

6.1 Main strategy in the USA market

In Chapter 4 we discussed the main strategies of the largest companies in the USA market. This applies particularly to Frionor and the Nordic Group in frozen fish, and Norway Foods in canned fish. With respect to most of the other companies, and particularly in the fresh fish (salmon) and shellfish sectors, their strategies for the USA market often do not differ essentially from their general mission and activity strategies.

In the questionnaire we asked a direct and open question about "your company's main strategy in the USA market?". Most of the

answers were tied to the choice of distributor/target group. The use of the concepts differed somewhat, but around one fourth tied their main strategy to increased activity directed towards the retail sector. In addition, they mentioned "specialty products", "brand name products" aimed at limited areas or chains. More or less similar activity strategies were also mentioned by a somewhat smaller number of exporters, but they were directed towards restaurants and restaurant chains. More than 20 % of the respondents mentioned better service by agents, brokers or importers as their main strategy. This would be accomplished, for example, by concentrating on a few customers.

Some of the respondents reported strategies that could not be tied directly to the choice of distributors. Most of the statements that were not classified are listed below:

"Stable supplier of aquaculture fish and other seafood products"

"High price and quality"

"Be represented"

"Increased market share"

In the chapter on theory, we mentioned that the strategy concept can be interpreted as a plan for future activities (Mintzberg, 1987). In order to identify the use of written plans in marketing, we asked the informants if the company had written marketing

plans for activities on the American market. We also distinguished between plans for the coming year (one year plans) and for the coming three years (long-term plans). Out of 30 companies, 20 (67 %) had neither short-term nor long-term plans, three companies (10 %) had only short-term plans, while only two (7 %) had long-term plans. The remaining five companies (17 %) had both one year and three year written long-term plans.

6.2 Product composition and brand name strategy

In Chapter 1, we discussed the product composition of Norwegian exports to the USA. With respect to the question of which is the companies' most important product strategy in the USA for the next three years, the elements of the main strategies were confirmed. Most companies wish to strengthen their position in the areas of their investment, but they also wish to expand into processed products directed towards the retail sector. Several mentioned a desire to introduce specialty products, particularly salmon and trout. The interest in expanding the number of varieties in the product spectrum, and also in investing in more fish species, is growing among several of the companies. In other words, they see advantages in a larger and more varied product spectrum.

Transportation costs for whole, fresh salmon to the USA are high. One way of reducing the costs is to fillet the salmon in Norway

before it is sent by air across the Atlantic. Even though the USA market has a demand for salmon fillet, the exporters we interviewed were of the opinion that any extra work done to salmon would considerably increase the risk of more rapid quality deterioration. In other words, a fillet would have a much shorter shelf-life compared to the protection the skin gives a fresh, gutted and whole salmon.

As to the question of how large a share of the goods are sold under a company brand name, what we discussed previously was also confirmed: marking of bulk packages is considered by several companies as brand name sales. On the other hand, we find companies that sell under their own brand name, or a rented (private label) name. In Chapter 3 we described brand name strategies in the retail sector for Norway Foods (e.g. King Oscar) and Frionor, as well as the Nordic Group brand name (Fjord Fresh) directed towards institutional households. It is these companies that together represent the essential portion of producer-owned Norwegian brand names in the USA.

We also find producer brands from, e.g., Fremco Inc. (Fremstad), Austevoll Fiskeindustri (A-fish/Austevoll Seafood), Seafood Farmers (Gilde), Johan J. Helland (Polar Circle), Scanprawn (Scandy) and Faco A/S. These brands are essentially marketed to distributors and institutional households, and are not consumer brands.

6.3 Internationalization and establishment of sales offices

Among the Norwegian companies, it is only Frionor that has its own production and processing company for seafood in the USA. This company also owns freezer storage capacity in the USA. However, we find several companies with their own, or partially owned, sales offices. Based on data from the Export Council of Norway in New York (J. P. Gylseth) and data from our own questionnaire survey, we produced a list of sales offices and sales representatives of Norwegian seafood exporters (Appendix 1). The table below shows the locality and number of company sales offices and sales representatives.

Table 5. Sales offices and sales representatives of important Norwegian seafood exporters

Locality	Sales office	Representative
New York/New Jersey	2	1
Massachusetts/Connecticut	3	3
California/Seattle	2	2
Total offices/repr.	7	6

As shown in the table, at the beginning of this year (1988) Norwegian companies had 7 sales offices and 6 permanent companies as sales representatives in the USA. Most of these units (around 70 %) are on the east coast from the Mid-Atlantic region (New Jersey/New York) to Boston (Mass.). The remaining units are in

the state of California (3) and in Seattle. J.H. Fremstad A/S (Trondheim) moved their sales office from New York to Vancouver in Canada in the summer of 1987.

We find several companies that have had sales offices in the USA, but who have had to close them for economic reasons. For example, in the middle of the 1980's there were three Norwegian sales offices sponsored by Norwegian shrimp exporters. A reduction in volume (raw material supplies) combined with marketing problems, resulted in the closure of these sales offices after a very short time.

If we look at the distribution of the sales offices, it reinforces the statements of individual exporters that the supply of Norwegian salmon and trout to the Mid West is too poor and random. Some even stated that this area is very interesting and that some fresh fish exporters should join together to penetrate this market. With respect to the west coast, several of the statements could be interpreted as saying that this area lacked the necessary infrastructure for the sale of fresh fish. The latter would also surely be a challenge if Norway is to increase its presence in the central regions of the USA.

In our survey, we also asked if the various companies had concrete plans to establish themselves in the USA within the coming three year period. We here attempted to identify the

probability for establishment within production, processing and distribution/sales. The questions were placed along a 5 point scale, from no probability (1) to very strong probability (5). Below, we placed the answers in three categories.

Table 6. Concrete plans for establishment in the USA (N=28)

Area of establishment	No/small probability		Some probability		Strong/very strong probability		Total %
	No.	%	No.	%	No.	%	
Production	26	(93)	2	(7)	0	(0)	100
Processing	24	(86)	2	(7)	2	(7)	100
Distribution/sales	21	(75)	3	(11)	4	(14)	100

The table above shows that the probability is small that any Norwegian companies will establish their own production plants in the USA. The probability of establishing small processing plants, or buying into established plants, is somewhat greater. Two companies (7 %) saw some probability of such an establishment, while two other companies though it very probable that they would establish processing in the USA in one way or another.

Apart from the sales offices already established in the USA, several companies expressed an interest in establishing sales companies or in expanding their activities in this sector. Around one fourth of the companies considered it probable that they would establish themselves in distribution, sales and marketing

with fully-owned or partially owned companies in the USA, during the coming three years. Four of these companies (14 %) viewed this as a strong or very strong probability. This work should be seen in the context of the concentrated effort that the Marketing Council for Aquaculture Fish is making in the USA.

6.4 Customer portfolio and relations

Regardless of what customer groups were the target groups of the companies, we also identified the number of customers each company had in the USA. The companies were asked to identify how many different companies received invoices from them during one year. In this context, we also identified the number of regular customers during the same period. In Table 7 we placed the companies in groups according to total number of customers and permanent customers.

Table 7 Size of customer base per company (N=27)

Customer base	Total figures		Permanent customers	
	No. of comp.	%	No. of comp.	%
More than 20	2	(7)	2	(7)
10 - 20	6	(22)	5	(19)
5 - 9	12	(45)	4	(15)
1 - 4	7	(26)	16	(59)
Total	27	100	27	100

Around 70 % of the companies had a total customer base of less than 10 customers, while the permanent customer base usually was

less than five. Asked about how large a share of the company's export to the USA went through the biggest customer, 65 % of the companies said they sold more than half of their total exports through one customer. Twenty-two percent of the companies actually sold more than 75 % of their USA volume to one customer. Only 13 % of the companies had no special customer, since no single customer received more than 30 % of the company's total export value to the USA.

During our interviews with the management of several export companies, it became quite clear that their American business relations were different from those they had with their European colleagues. While European companies often were solid and reliable, distrust and payment problems are quite a common "culture" among some importers of fresh fish to the USA. The "Fulton Fish Market" in New York especially was described by many as problematic and "Mafia controlled". Or as one of the informants expressed it: "In the USA, a word is not a word".

Several claimed to have serious problems recovering the last twenty percent of accounts receivables from some importers. In spite of persistent reminders, it happened that they were not paid. There are probably several reasons for these problems. Some say that sale of fresh fish in the USA is of a relatively recent date, and that a fixed business culture has not yet had time to develop. Many have entered the branch in the hope of making quick

money. Others are involved in selective trading combined with other activities, for example as owners of one or two fish restaurants. In the long run, the market will probably stabilize and many of the "weeds" will be uprooted. Information about "unreliable" participants in the market spreads and gets magnified rather quickly within the seafood sector.

There was also some general agreement that American importers and distributors appear more price conscious than quality conscious. This may have something to do with traditions, and the fact that several within the branch view themselves as part of "the money business" and not as being in the fishery sector. With low entry and exit barriers it is money that is the driving force and not the long-term development of American seafood distribution and marketing.

If we exclude canned goods and frozen fish, most goods are sold through short-term contracts. A few companies in the fresh fish sector have, to some extent, entered into quantity programs, but prices are fixed to the market value at the time of sale. Due to their desire to introduce specialty salmon and trout products (frozen/smoked) on the market it is natural that several companies would want to sign contracts of longer duration.

As to the question of whether the individual company would enter into more or fewer long-term contracts in the future (1988/89),

67 % of the companies answered that they would sign more long-term delivery contracts. The remaining 43 % were not going to change contract conditions in this respect. Less than 20 % of the informants said that it was "satisfactory" to work with short-term contracts. Most prefer long-term contracts/programs as operating method. This frees resources from "daily" negotiations and allows more emphasis on work tasks of a long-term and strategic character. On the other hand, the raw material situation and the competitive conditions help make the difference between what is "desirable" and what is practical too great to always allow the desirable to be realized in this area.

Personal contacts are important in order to establish and keep customers and create trust. Much of this type of contact is maintained through food fairs, meetings and seminars. We asked the informants a concrete question as to how often representatives of their company travel to the USA during one year. For the largest companies it often meant that several people travel together at the same time. In the table below we divided the companies according to travel frequency.

Table 8. Travel frequency to USA during one year (N=28)

Travel frequency per year	Number of companies	%
More than 5	4	(14)
3 - 5	8	(29)
1 - 2	13	(46)
No travels	3	(11)
Total	28	100

Around one fourth of the companies send one or more of their representatives across the Atlantic more than five times per year. Most of the companies (46 %) have a travel frequency of one and two USA trips per year, while one tenth of the companies often do not send their own representatives to the USA during one year. The latter applies to small companies or companies where the USA in no way is their most important market.

6.5 Distribution and customer monitoring

Our description of the most important Norwegian companies and establishments in the USA shows that the largest companies have their own sales offices in the USA. The companies that have permanent sales representatives in the USA often sell between 70 and 95 % of their products through this company. The remaining companies sell nearly 100 % of their products through brokers and importers. This applies in particular to fresh salmon exporters.

A number of salmon exporters want to penetrate further into the market and into new segments. Fully 63 % of our selection wanted to try to enter new distribution channels during the next three years. All of them wanted to get closer to the end consumer with more of their products, and of these, 60 % mentioned the super-market segment. The remainder had catering/institutional households (restaurant segment) as their new area for direct export. Included in the last segment were also a couple of exporters who

were very interested in the cruise market. Also here the evidence of an expansion of the product spectrum to processed products and specialty products was confirmed.

During the last few years, the American food market has experienced a strong concentration through mergers and the creation of chains, for example within the restaurant and retail sectors (Olsen, 1988d). This structural change requires counter-strength and structural adjustments on the Norwegian side, if one wants to reach these larger companies. In other words, it is an important question whether Norwegian exporters have the will and capability to meet this new challenge.

As to the question of whether a Forum USA, or another type of marketing cooperation, could help the individual company to obtain distribution advantages in the USA, the will and interest were positive across the board. The question was placed along a five point scale from "without importance" (1) to "very great importance" (5). In the table below we added together the two highest values and the two lowest values.

Table 9. Views on distribution advantages through cooperation (N=26)

AREA OF COOPERATION	Little importance		Some importance		Great importance		Total
	No.	%	No.	%	No.	%	
Better customer contact	8	(31)	11	(42)	7	(27)	100
Greater strength in distribution	10	(38)	10	(38)	6	(24)	100
Get closer to the consumer	7	(27)	10	(38)	9	(35)	100

As shown in the table above, the views were least optimistic regarding the question of achieving greater strength in distribution. On the other hand, more than 60 % of the respondents felt that cooperation could provide help of some importance or great importance. This view was somewhat more pronounced with regard to customer contact, where close to 84 % of the informants appeared positive. The exporters felt that cooperation was most useful for their efforts to get closer to the end consumer in the American market. Fully 35 % percent of the respondents felt that efforts such as Forum USA or other forms of cooperation were of great, or very great, importance.

In another of our reports we analyzed the exporters' needs for information and surveys about market and competitive conditions in the USA market (Olsen, 1988a). Below we will discuss in more detail the will and ability shown by exporters in monitoring distribution and marketing conditions in their target markets. It

is natural to expect that they have considerably better knowledge of, and use most of their resources on their primary markets and customers. Periodically, they will look for other more general information. We assume that the latter is important to companies that are looking for new opportunities, new customers and new product/market combinations.

In the same way as with several of the questions in our questionnaire, we formulated this list of questions as statements. The informant had to determine if the statement gave a good description of the situation in his/her company. Also in this case, we provided five response alternatives from 1 (very poor description) to 5 (very good description).

Based on the average values, we ranked what factors of the distribution conditions that they monitor most closely, or are most familiar with. We re-coded the value alternatives into three categories. The alternatives "very poor" and "poor" description were joined under "poor". "Neither good nor poor description" was classified as "neutral", while "good" and "very good description" was recorded as "good". The average value is listed under "mean". Compared to the text in the questionnaire, we left out some of the statements "for each distribution channel (channel)".

Table 10. Monitoring of distribution conditions and knowledge of important distribution channels (N=26)

STATEMENT	Poor descript.		Neutral descript.		Good descript.		MEAN
	No.	%	No.	%	No.	%	
We know the most important distribution channels	5	(17)	7	(24)	17	(59)	3.34
We know how to contact key personnel	8	(27)	6	(21)	15	(52)	3.21
For each channel we know what customers we want	5	(18)	11	(41)	11	(41)	3.19
We know the purchase criteria for each channel	6	(22)	11	(39)	11	(39)	3.11
Product choice for selected channels is monitored	10	(34)	9	(32)	10	(34)	2.97
We know the market volume to each channel	10	(36)	11	(39)	7	(25)	2.82

A little more than half of the exporters (59 %) feel that they presently have a good knowledge of the most important distribution channels, and that they know how to get in contact with key individuals within the various channels. A pronounced need for distribution analyses combined with a feeling of a limited information supply about distribution conditions (Olsen, 1988a), indicate that the in-depth understanding and knowledge about the various distribution channels is not satisfactory. This applies in particular to companies that want to change their method of distribution during the next few years.

On the other hand, different strategies and distribution methods require different forms of expertise and monitoring of distribution conditions. Companies trading in fresh fish products with importers and wholesalers on the Fulton Market in New York have entirely different needs than companies that sell processed products through the supermarket sector.

Table 10 confirms that the knowledge of specific aspects of the distribution conditions is perceived as poorer as our questions become more concrete. For example, only 25 % of the exporters claim to have good knowledge of the market volume to each channel. In our conversations with the exporters, several claimed that the structure of the distribution sector was considerably more complicated than in Europe.

The market monitoring system in several companies is not very developed. Many are satisfied with the information they receive from their customers over the phone, supplemented with fair trade participation and reading of journals/newsletters. More than a third of the respondents admitted that they had a poor system for monitoring the product selection for their channels. The closer we get to the consumer, the less developed is the monitoring system. Around one fourth (24 %) claimed that the selection of products aimed at the end consumer was being monitored.

The physical distribution of frozen goods appears to function without serious problems. In the fresh goods sector, the challenges are considerably greater. Large temperature variations and limited infrastructure at the receiver end make the risk of losses greater than, for example, in Europe. A visit to the Fulton Fish Market can confirm this. Another problem is that due to a lack of air freight capacity, the fish must periodically be transported down over Europe before it is shipped. This lengthens the physical time and distance, and means increased risk.

The fact that the freight is more expensive and the risks greater for export to the USA compared to closer markets, contribute to the fresh fish exporters' view of the USA as a "difficult" and "demanding" market. Recent foreign exchange developments have reinforced this view. But this does not prevent increased investments as long as the opportunity to find a market for growing production and to make money are present.

6.6 Knowledge of prices and price policies

Price decisions affect consumers, customers and competitors apart from the cost conditions within the company. The fact that one must take into consideration a number of different parties with contradictory interests when setting prices, makes knowledge about prices and price policies a very important element in company strategies. When, and towards whom, is one to adopt a

cost-plus strategy or a dumping strategy, when is one to conduct a competition-focused price policy, or to what extent can one conduct pricing of a pure consumer-psychological nature? These are important questions that a company must deal with.

In our questionnaire, we asked three questions related to their knowledge of the price situation and four questions about price policy in one and the same sequence. As in Table 10, the questions were formulated as statements where the informant had to evaluate to what extent each statement gave a "good" or "poor" description of the situation in the company.

Table 11. Exporters' knowledge of the price situation (N=30)

STATEMENT	Poor descript.		Neutral descript.		Good descript.		MEAN
	No.	%	No.	%	No.	%	
We know the price situation for our product groups in the market	0		5	(17)	25	(83)	100
We compare the retail prices of competing products	12	(40)	7	(23)	11	(37)	100
We know the retailers' profit and price systems	11	(37)	11	(37)	8	(26)	100

Norwegian exporters have good knowledge of the price situation in the market for their product groups. This is also confirmed in the discussion of other problems in this work (Olsen, 1988a). On

the other hand, the knowledge of what affects the price structure and to what extent, is considerably more limited.

The further ahead in the distribution chain the products get, the poorer the knowledge about price and profit conditions. In this case as well we must consider how useful such information is when exports are directed to the first stage of the importer segment.

Considering the interest many have of entering the retail sector, one could possibly wish that the knowledge about prices in this sector was better than what the informants stated. In particular since we also suspected that the informants somewhat overestimated their competence in the questionnaire, compared to the actual situation that they expressed during our conversations and interviews.

Table 12. Price policy of Norwegian exporters (N=30)

STATEMENT - PRICE POLICY	Poor descript.		Neutral descript.		Good descript.		MEAN
	No.	%	No.	%	No.	%	
We have a clear bonus and rebate system	24	(80)	4	(13)	2	(7)	100
Our price system is based on a price list	20	(67)	2	(7)	8	(26)	100
We make price agreements with other Norwegian companies to avoid price pressures ..	14	(47)	11	(37)	5	(16)	100
Our price and sales condi- tions are known to all our customers	6	(21)	3	(10)	20	(69)	100

The table above shows the results of our statements on price policy. No less than 80 % of the informants claimed that their companies did not have a clear bonus and rebate system. This, together with the confirmation that only 25 % of the companies said that the statement on the use of a price list was a good, or very good, description of the situation in their company, gives a clear picture of a "spot-based" price policy. As we have mentioned several times before, planning of prices and volumes is difficult in the seafood market, and in particular in the fresh fish market. The fact that most of the companies sell to the first stage of the distribution chain further helps to reinforce and explain this situation.

In one of our previous reports, we claimed that within segments of the Norwegian export industry, and in certain periods, trends have been registered towards undesirable internal price competition (Olsen, 1987). Only 5 companies (16 %) agreed with the statement that the company made price agreements with other Norwegian companies in order to avoid price pressure. Relatively many were neutral, while most (47 %) did not make price agreements with close competitors in order to avoid internal price competition.

6.7 Communication and market penetration

Communication and market penetration (promotion) is a central part of the marketing mix. The most important tools within this area are advertisements, sales penetration, publicity, personal sales and communication. We also included trade fair participation and market analyses/plans as part of the promotional activities. Not all market penetration is paid for, nor can it always be traced back to the individual companies or its origin, as is the case with advertisements (Gilson and Berkman, 1980).

In order to identify to what extent the various companies conduct active market penetration on the American market, we asked four evaluation questions based on construed statements. These questions were also given response alternatives from "very poor description" (1 point) to "very good description" (5 points).

In the table below the two most extreme values have been joined into a three point scale. The statements are ranked according to how well the description fits the various companies.

Table 13. Degree of formalized market penetration (N=29)

STATEMENT - MARKET PENETRATION	Poor		Neutral		Good		MEAN
	No.	%	No.	%	No.	%	
We budget for marketing/ sales expenses every year ...	7	(24)	6	(21)	16	(55)	100
We often organize sales pro- motions with our customers ..	13	(45)	7	(24)	9	(31)	100
We have developed written marketing plans	15	(52)	6	(21)	8	(27)	100
We give our customers finan- cial marketing support.....	19	(66)	3	(10)	7	(24)	100

A little more than half of the companies (55 %) apparently included the costs of marketing/sales in their general budget and calculations. Much fewer had written marketing plans (31 %). Based on the other two statements, we estimate that in our selection between 25 and 30 % (around 8) of the companies conduct "active" marketing on the American market, and have formalized their activities to a certain extent. This figure also coincides with the number of companies that have sales companies in the USA.

Between 15 and 20 % of the companies have "moderate" marketing activities, often limited to trade fair participation and regular visits to customers. A little more than half of the companies have none, or minor, formal market penetration activities. They

have also only to a minor extent been engaged in such activities directed towards the American market.

Based on the information we obtained through our questionnaire, we attempted to calculate the total publicity and sales costs expended by Norwegian companies in the USA. Depending on the calculation method, the amount was between 45 and 50 million Nkr in 1987 for activities conducted by individual companies. If we include funds from the Marketing Councils, the Publicity Committees and the Export Council of Norway, the amount is more than 50 million Nkr. In comparison, we can mention that the Norwegian Dairies spend around 30 million Nkr annually to market Jarlsberg cheese in the USA.

It is Norway Foods A/S, with considerable funds for brand name advertizing, that accounts for most of the expenses. Frionor made its entry into the retail sector in 1987, and on this occasion increased its marketing budget by around 10 million Nkr. The measures that the company invests in now, with the ambition of reaching sales of \$ 45 million US in the retail sector, means that Frionor's marketing budget will increase considerably in 1988 and the coming years.

In what areas the various companies use their marketing funds, depends on a number of factors. Companies that are involved in the retail sector use considerable amounts for paid advertizing

and sales promotion. For the other companies, trade fair participation and customer visits constitute the largest expense items. Company strategies vary in this area. While some companies use 10 % of their marketing budget on customer visits, others use nearly 100 %. More than a third of the companies use half or more on trade fair participation. Around 40 % of the companies use more than 25 % of their marketing budget for advertisements in the trade press and journals.

In addition to individual measures, collective marketing of Norwegian fish in the USA is conducted through the Marketing Councils, the Publicity Committees and the Export Council of Norway. In one of our previous reports, we reported on these measures (Hanssen and Olsen, 1988). The Marketing Council for Aquaculture Salmon spent around 25 million Nkr in 1987 on collective marketing in all the markets. If we exclude trade fair participation and collective advertizing in the trade press, the USA was not a prioritized area that year. According to the plans, amounts spent on marketing in the USA in the future will be in relation to the exports sold through the association. One of the ways to accomplish this will be to set up a sales office in the USA.

The Fishery Industry's Information Committee for Shrimps and the Marketing Committee of the Fat-Herring Fishermen's Sales Association were represented in 1987 at seafood fairs in the USA. The

North Atlantic Seafood Association, a cooperative association between Norway, Canada, Iceland and Denmark, annually spends \$350,000 US to conduct collective marketing of North Atlantic seafood (Olsen, 1988c). The other committees have had limited activities in the USA.

6.8 Summary

The reason most companies give for exports to the USA is that it is important to be represented in one of the world's largest seafood markets. Even though the freight expenses are high, accessibility is good and the profit margins are satisfactory. Many want to broaden their geographic scope in order to secure deliveries and reduce uncertainty. As opposed to several other seafood markets, the USA has low customs and few import restrictions. Many companies that today export goods with a low degree of processing to the first stage in the distribution chain, clearly wish to change their product/market strategies for parts of their sales volume. We are here thinking of specialty products made from salmon and trout, and the desire to increase sales of fresh seafood products through the retail sector. Fully 63 % of our total selection of companies wanted to enter new distribution channels during the coming three years.

With respect to the main strategies of Frionor, the Nordic Group and Norway Foods, we refer to Chapter 4. These companies, together with a few others, have their own sales offices in the USA. Many people in the fresh fish sector feel that American importers are not as quality conscious as their European counterparts. Most of all they want to reduce prices, and they are in many cases reluctant to pay the last portion of their obligations. It is therefore important to develop customer relations based on trust.

The market monitoring system is not very developed in most companies. On the other hand, this must be evaluated in the light of the fact that most companies trade in fresh products aimed at the first stage of the market. Consequently, the most discussed and most important subject is information about prices and quantities. The companies may appear to have satisfactory knowledge about this subject, but they lack knowledge and understanding the closer they get to the consumer.

It is only the companies that sell to the retail sector that have the opportunity to conduct an active price policy. The others try to adjust to the supply and demand conditions in the market at any one time. Price competition can at times have a negative effect on profitability.

With the exception of Frionor and Norway Foods, it is the profiling of the company through magazines, trade fairs and customer visits that constitutes the companies' communication and penetration activities. These are the two Norwegian companies that have the highest marketing expenses, but gradually the Marketing Council for Aquaculture Fish, and others, will get more involved in the USA. According to our evaluations, there are about 8 Norwegian companies that conduct "partially active" or "active" marketing of seafood in the USA, and have formalized their activities to a certain degree. The marketing conducted by individual companies amounted to less than 50 million Nkr in 1987, but will grow considerably with Frionor's entry into the retail sector. At the same time, the Marketing Council for Aquaculture Fish will invest in collective activities.

7. COMPETITORS, COMPETITIVE CLIMATE AND SUCCESS FACTORS

To a growing extent, the activity environment of the companies is characterized by increased competition and new competitors across industry sectors and national borders. While competition was earlier defined as rivalry within a given geographical area and between similar businesses in the same sector, the concept has been considerably expanded along with the development of different types of competition. In its most extreme form, we can talk about "mega-competition" where the decisive factor is different solutions to the needs of customers. The battle is for the meager resources of the customers - often time and money.

Seen against this background, it must be of crucial importance for each company or industry to create and maintain a competitive advantage in relation to potential and current competitors. Each company or sector must ask itself what are the factors that determine competition and profit potential, what strategies should it choose to achieve a competitive advantage, how should it position itself in relation to competitors and how can it overcome competitive uncertainty.

In our analysis, we therefore placed much emphasis on describing the competitive situation as it is evaluated and perceived by the exporters. In order to show the width of this theme, we used several methods and discussed several problem areas:

- Different areas of perceived competition.
- Identification of competitors (countries, companies).
- Weak and strong points of competitors.
- The need for information about competitors.
- Important competitive factors in the USA market.
- Barriers on the USA market.

In one of our previous reports we discussed the need for competitor information and analyses (Olsen, 1988a). In the evaluations of what analyses and studies were useful, analyses of competitors received the highest mean value, which seems to indicate that the exporters take competitors and the competitive situation seriously.

Our informants also felt that the competitive climate had worsened during the last three years. Two thirds of the respondents agreed about this. One fourth (25 %) evaluated the competitive climate as "unchanged" during this period, while two of the informants (7 %) felt that competition within the seafood sector had declined during the last three years.

7.1 Sources or areas that affect the competitive situation

Each industry experiences competition from different directions, and of a varying degree of intensity. The literature in this

field is coloured by this. Recent research in the field has been particularly preoccupied with how structural patterns in an industry or sector affect the competitive situation. Porter (1980) placed the competitive sources into five groups:

- Negotiation strength of suppliers.
- Negotiation strength of customers.
- Threats from new establishments.
- Threats from substitutes.
- Competition between current exporters.

Seen from Porter's perspective, it makes little difference what the product looks like, whether your company is high technology or your industry is characterized by good productivity. It is the above-mentioned five central elements, or industry characteristics, that affect prices, production and transaction costs, investment activities, the costs of marketing, product development, etc. We based our work on Porter (1980), but we also added some other elements gathered from the sector's own problem areas.

In our questionnaire, we asked in what areas the companies experienced strong or weak competition. We used a 5 point scale, from 'none' (value 1) to 'very strong' (value 5) competition. In the table below we ranked the competitive factors according to the average value, the percentage that reported the evaluation

"strong" or "very strong" competition (Strong competition). We also included standard deviation (St. dev.).

Table 14. Ranking and evaluation of competitive forces (N=29)

	Mean value	Strong compet.	St. dev.
1. Competition from the seafood industry of other nations	3.62	55 %	0.96
2. Competition for customers/market shares	3.59	59 %	0.72
3. Raw material suppliers	3.33	41 %	0.90
4. Competition from substitutes	3.00	31 %	0.98
5. Internal competition from the Norwegian seafood industry	2.96	28 %	0.94
6. Competition for qualified labour ..	2.71	29 %	1.16
7. Competition from the food industry in general	2.41	14 %	1.00
8. Competition from new establishments in the sector	2.34	10 %	0.92

Based on mean values, it is the competition from the seafood industry of other nations that is seen as most critical for Norwegian exporters. We will later discuss what nations are involved. Since the exporters do not consider the competition from the food industry in general as threatening, we must assume that they feel their sector as relatively protected from other sectors of the food industry.

The fact that most (around 70 %) report competition from new establishments in the sector as "little" or "some" can appear surprising when we know how new nations and new companies are continuously emerging on the arena. What we specifically have in

mind is what is happening within fish farming or aquaculture. If we interpret this together with the weak competition that they feel from the food industry in general, it reinforces the assumption that the exporters see the seafood industry as "special" and "protected" from other industries. It is the competition between those who are in the sector today that will form the basis for the competitive situation of the future.

Competition for customers and market shares can be interpreted as part of the situation of horizontal competition for access to market channels and end consumers. It can also be interpreted as negotiation strength in relation to the industry's customers or receivers of raw materials, semi-finished goods, finished goods or substitutes (vertically towards the end consumer). Regardless of the situation, almost 60 % of the respondents evaluated competition for markets as "strong" or "very strong". More than 30 % felt that competition from substitutes was threatening. This includes, e.g., the use of Alaska Pollock as whitefish and surimi imitations of shellfish.

The fishery industry is very raw material intensive, at the same time as the law within the traditional part of the industry prevents active integration downwards to the raw material suppliers. So it is not surprising that 41 % of the respondents evaluated competition for suppliers of raw material as strong or very strong. The situation is not the same in all sectors of the

fishery industry. In aquaculture, there are greater possibilities to control the raw material situation. They also avoid the uncertainty that exists in the supply of raw material from ocean based fishing, where the stock situation varies greatly from year to year, and from season to season.

During the time period that we asked the question there was a heavy demand for raw material as a result of favourable market developments. These are also factors that play a role and influence how the problem is experienced from one period to another. The question should also be evaluated in relation to the type of organization the companies have. Integrated companies often do not have the same problems as pure trading companies, who must base their entire sales volume on uncertain deliveries of everything, from raw material to finished products.

Internal competition from the Norwegian seafood industry is viewed as "strong" by 28 % of our informants. A similar number felt "somewhat threatened" by this type of competition. Particularly in trading activities where low barriers and prices are the most important competitive weapons, internal competition can threaten the margins of profitability. The mere fact that some people periodically offer the same quantities to several customers in the market helps disturb the supply and demand conditions. Importers in the receiver countries as a whole may perceive offers from Norwegian exporters to be considerably

larger than they actually are. As could be expected, the companies that considered internal competition as strong or very strong were found in the sector involved in trading activities with salmon and herring. The answers were not uniform, since several salmon exporters also evaluated the internal competition as "somewhat" threatening.

Also companies that invest in long-term contracts and production of brand name products feel "somewhat" threatened by the Norwegian seafood industry. The reason may be the competition for raw material when they, in periods with high "spot prices", must pay dearly in order to meet their long-term obligations. Selective buying behaviour, both with respect to raw material and on the markets, by Norwegian companies can, in other words, be a disturbing element for the long-term market penetration of individual companies.

We must here make it clear that the sources or competitive factors the industry experiences vary with time. In a period of growth, one can expect a threat from new establishments and suppliers. Since the market is saturated, the fight will be for customers, and the internal competition in the sector will appear prominent. In the seafood industry, we assume that the large annual and seasonal fluctuations in supply and demand will greatly affect what the participants perceive as competitive factors.

The fact that the situation can vary from one day to the next, means that the exact time a question is asked could entirely determine what answer one will get.

7.2 Competitors and competitive countries: Strong and weak points

As Table 14 shows, it is the competition from the seafood industries of other nations that Norwegian exporters view as most threatening to their profitability and growth potential. In our questionnaire, we asked a concrete question about what four nations they feel will be their company's strongest competitors in the USA during the next five years. Of course, it was also possible to include the USA itself as a fishing nation. For each alternative, the informants had the opportunity to evaluate strong and weak points for their selections.

We gave the informants four numbered lines with open response alternatives, without special request to rank them. However, in the table below we gave a value of 4 to the nation that was mentioned first, a 3 to the second, etc. The sum of all the values was placed to the right in the table (Value). We ranked the different nations according to how often they were mentioned by the informants (Number of times mentioned). In some cases only

two and three nations were listed, but all 30 respondents answered this question.

Table 15. Norway's five most important competitor nations on the USA market (N=30)

RANKED NATIONS	Number of times mentioned	Value
1. CANADA	28	96
2. ICELAND	15	36
3. USA	14	38
4. CHILE	13	35
5. SCOTLAND	9	27

In the table above we ranked Norway's five most important competitor nations on the American seafood market. What nations the exporters regard as Norway's strongest competitor varies somewhat from company to company. What best explains the differences is what products or fish species the company exports. Canada, and to some extent Iceland and the USA, are mentioned as major competitor countries regardless of fish species. Chile and Scotland are major competitors for farmed salmon.

Twenty-eight of the thirty respondents mentioned Canada as an important competitor to Norwegian seafood. Nearly 60 % of the informants actually placed Canada as the first nation on the list. There is no doubt which country is viewed by the exporters as Norway's most serious competitor in the USA market. In the evaluation of Canada's "strong points", the concept "proximity"

to the market was used in more than half of the cases. Some gave further details, stating low transport costs (physical proximity), while others also attributed a certain importance to culture and language.

Quite many (32 %) used "price" as a strong competitive parameter. This included not just lower transportation costs, but also the fact that the raw material costs for comparable products are lower in Canada than in Norway. Others pointed to foreign exchange advantages and the new trade agreement between the USA and Canada as a strong point for our major competitor. As the world's largest fish exporter, it was to be expected that 14 % of the respondents mentioned 'large volume' as a competitive advantage. As Canada's weak point, the answer was unequivocal: "poor quality" and occasionally a more precise description: "uneven" quality.

Iceland and the USA shared the spot as our second biggest competitor in the USA market. Half of the respondents (15) had Iceland on the list of competitors, while a smaller number mentioned the USA. With respect to Iceland, the answers were not as uniform as for Canada. Price (or lower raw material costs) was mentioned most often as this nation's strongest point. Otherwise, we got five evaluations, such as:

- Good sales organization.
- Good quality.

- Traditions as a fishing nation.
- Satisfactory volume.

As a weak point, "poor quality" was mentioned most often, sometimes expanded as "poor production conditions". The one-sided economy of the country, difficult distribution (fresh fish) and little integration were also brought out as weak points of Iceland's seafood industry. One of the informants also felt that they produced too much of traditional products.

The USA received mostly the same evaluations as Canada, with proximity, low freight costs, low prices/costs, and large volume as the nation's strongest points. Increased catch quantities and greater interest in utilizing their own resources, were also mentioned as a future threat. In particular, there are many who are taking an interest in what is happening with Alaska Pollock. Also here, poor and uneven quality were mentioned as the nation's absolute weakest point. No organization, poor infrastructure and little competition means that the USA has not been able to fully utilize its potential.

Exporters specializing in salmon and trout most often put Chile and Scotland among the two first on the list of competitor countries. For Chile as an aquaculture nation, the answers were uniform. Price and lower production costs were viewed as this nation's strongest points, while quality emerged as a minus

factor. Opinions about Scotland were a bit more complicated, but price combined with a high market profile were most often mentioned as strong points. Quality was mentioned both as a strong and weak point, so there was no agreement here. A few pointed out Scotland's reputation on the market, and they were probably thinking of its traditions as a brand name producer of food and beverages ((whisky, etc.)). We see this also in their production and marketing of smoked salmon with high profile and quality.

It was these five countries that particularly emerged as competitors of Norway in the USA. Japan was also mentioned as a competitor in specialty products such as mussels and salmon. Denmark, with the Faroe Islands and Greenland, was also mentioned for its traditions as a fishing nation and big exporter of certain fish species, but received, in our opinion, a somewhat modest role in the evaluations. The salmon exporters also mentioned New Zealand, Ireland and Peru (South America) as future competitors of Norway in the USA market. Three of the informants also mentioned Norway, meaning internal competition.

In our questionnaire, we asked the question: "if a competitor analysis were to be carried out based on a country, which two nations would you like to give priority to?". We also asked the respondents to mention companies they wanted analyzed or more

information about. Below is a list of the response distribution showing the priority in brackets (N=28):

1. Canada (17)
2. Iceland (9)
3. Scotland (6)
4. Chile (6)
5. USA (5)
6. Japan (5)
7. Greenland (2)

Denmark, Ireland, Sweden, South Korea and France were each mentioned once. Canada again occupies a special place. Within the cod fish sector, a couple of the respondents mentioned the large companies of National Sea Products and Fishery Products International (FPI) as the subjects for competitor analyses.

The USA is Iceland's principal market for frozen fish products, and is seen by Norwegian exporters as an important competitor in cod fish and shellfish products (shrimps and scallops).

The salmon exporters also think that Iceland will be an important competitor within a few years. Three of the respondents mentioned the Icelandic companies of Coldwater Seafood Corporations, Iceland Freezing Plants Ltd., Iceland Waters Industries and

Samband of Iceland, as important competitors on the American seafood market.

Due to the media attention given to Chile and Scotland as aquaculture nations and exporters of salmon, these countries have surpassed the USA with regard to the interest expressed in competitor analyses and monitoring compared to how they rank as competitors. In the general ranking these countries are insignificant, and all of them are therefore found in a third group behind Canada and Iceland. If Norwegian companies want to enter distribution channels aimed at end consumers to a greater extent, we assume that the need to monitor competitors will increase. This is also confirmed in our study where we, in two instances, were given names of large companies by exporters with brand name interests in the USA. For example, Gorton's, Van De Camp's and Mrs Paul's Kitchens Inc. were mentioned as serious competitors in the retail market for frozen seafood products.

Otherwise, only Royal Greenland was mentioned as a company suitable for competitor analysis. Without doubt, it is the special situation in the shrimp market that explains why this particular company was mentioned. The response distribution also shows that the exporters often have a somewhat complex relation to their competitors, categorized as individual countries, or groups of countries. Or the industry may be so fragmented that

there simply are no particularly important competitors to relate to.

In one of our previous reports, we discussed what type of competitor information the exporters want (Olsen, 1988a). Without going into any details, information about prices was the most important element, followed by information about market strategies, product development, customer base and cost structure.

7.3 Competition and success factors

Some of the research in export marketing has long been preoccupied with identifying critical success factors and barriers to export of goods and services. The term 'critical success factors' refers to those factors that are of most importance for the success or failure of export activities (Koed Madsen, 1987). This research has been tied to export of specific products or to individual countries. For example, Darling (1985) identified 10 general factors for success on the American market.

It should be obvious that the extent of export barriers in itself affects the results in a negative direction, even if such barriers may have the same effect on a number of companies and countries. Businesses that invest in countries with high import barriers often must invest more heavily in these countries, and

often feel less satisfied with their export activities in these markets (Koed Madsen, 1987).

In our study of success factors, we distinguished between the terms 'competitive factors' and 'barriers'. Competitive factors refer to specific marketing activities that are of such a character that it is easy for the companies to influence and manipulate these variables. Barriers are of a more general character, and companies are often obliged to adapt to them.

The questions were posed as closed response alternatives, where the various factors or barriers could be given a value from "no importance" (1), via "some importance" (3) to "very great importance" (5). In the table below we ranked the competitive factors the exporters considered important according to an average value (Mean value). We also included the percentage of respondents that reported the highest evaluation "very great importance" (very important). Finally, there is a column for standard deviation (St. dev.)

**Table 16. Important competitive factors for exports to the USA
(N=30)**

COMPETITIVE FACTORS	Mean value	Strong compet.	St. dev.
1. Stable deliveries	4.50	57 %	0.62
2. Delivery capacity/size	4.48	55 %	0.62
3. Price/value	4.47	53 %	0.62
4. Reliability/trust	4.27	47 %	0.85
5. Product quality	4.07	30 %	0.81
6. General customer service	3.96	25 %	0.78
7. Product spectrum	3.62	24 %	1.03
8. Marketing support	3.20	7 %	0.91

As shown by the table, there are two factors that stand out from the rest: delivery capacity and price. Delivery capacity is related to stable deliveries and size. Between 55 and 60 % of the respondents accorded stable and volume-adjusted deliveries very great importance as a competitive factor. Product spectrum width is also important, but there is not as much agreement on this. Exporters of fresh salmon often sell only one fish species, and they feel this is satisfactory to the customers that handle the sale of their products.

As we mentioned earlier, many feel that the Americans often are more price conscious than quality conscious. The answers above reflect this. While 53 % of the respondents considered price very important, the corresponding figure for quality was 30 %. On average, quality is accorded great importance, but ranks a little below price on the USA market. If we go back to Chapter 5, we find that quality is the most important element in the mission of

most companies, and was ranked above delivery capacity. In the USA market, the order is reversed: First delivery capacity and price, then product quality.

Reliability or trust was accorded very great importance by nearly half of the informants. It was also the third most important element in the mission of the companies. Within fresh goods distribution in the USA, there have been complaints from several quarters about Mafia tendencies and problems with certain customers. As we mentioned earlier, this form of fish sales has not yet acquired fixed standards and business ethics in the market. Until this happens, informal social contact and trust will be particularly crucial.

Since many of our respondents trade in fresh goods with importers in the USA market, general customer service and marketing support will not rank at the top as important competitive factors. The table also confirms this. But we assume that with the growth of export and internationalization activities, these factors will be included on a list of competitive factors. Direct activities aimed at retail customers will help strengthen this development.

As to the question of what barriers they considered to be most important to the establishment and maintenance of market shares in the USA within the next 5 years, the respondents answered with 13 different evaluation alternatives. Due to the wide range of

answers, we combined the two highest values: "great importance" and "very great importance" in Table 17. The percentage of respondents that marked off one of these, were grouped in the table under "great importance". In the same way as above, we ranked the barriers according to an average value (Mean value). Finally, we reported the standard deviation for each alternative.

Table 17. Important barriers to profitability in the USA market (N=29)

BARRIERS	Mean value	Strong compet.	St. dev.
1. Exchange developments	4.34	86 %	0.71
2. Transport costs	3.55	52 %	1.00
3. Competitive climate	3.54	57 %	0.68
4. Risk	3.36	46 %	0.97
5. Capital requirements	3.10	41 %	1.16
6. Marketing expenses	3.03	28 %	0.93
7. Distribution barriers	2.62	14 %	0.76
8. Customs barriers	2.57	18 %	1.02
9. Lack of government support	2.39	18 %	1.08
10. Food controls	2.32	15 %	1.00
11. Import quotas	2.31	15 %	0.83
12. Norwegian laws	2.17	10 %	1.07
13. Understanding language & culture ..	2.07	7 %	0.87

The most prominent obstacle to maintaining market shares in the USA, according to the exporters, is the matter of foreign exchange. We assume that the unfavourable development of the value of the American dollar can explain the fact that no less than 86 % of the respondents felt that the exchange rate was of great or very great importance to our ability to compete in the USA.

The physical distance to the USA, combined with the fact that a large percentage of the exporters sell fresh goods transported by air, explains why transport costs are given great importance by more than half of the respondents. Combined with the risk of losses and reduced quality associated with such products, distance becomes an important barrier. This applies in particular in relation to our competitors Canada and the USA, as we discussed earlier in this chapter.

Even if the USA is a large market, willing to pay, it is perhaps the very reason the industry feels that the competitive climate is a serious threat to continued profitability and growth. No less than 57 % of the respondents felt that the competition on the market was a great or very great barrier. This combined with high marketing expenses, and the advantages of scale in distribution, makes the industry feel that a lack of capital impedes their ability to keep up with the competition from large and financially strong food companies.

Government regulations, such as customs, quotas and food controls were only considered a serious barrier by less than 20 % of the respondents. Norwegian laws and lack of government support were given the same importance as a market obstacle. The study also confirms that understanding language and culture is not a problem for Norwegian exporters in their negotiations with American

customers. In this respect, perceptions of the USA are somewhat different from, e.g., Japan (Gripsrud, 1988). We also must assume that the need for cultural understanding is not of great importance in trading activities either.

7.4 Summary

Norwegian exporters feel that the seafood industry of other nations is an important source of a tougher competitive climate. Competition for customers and market shares is perceived as threatening and growing. Since the industry does not consider the food industry in general as the biggest threat, we must assume that they direct their competitive strategies and attention towards the seafood sector. It is primarily the seafood industries of Canada, Iceland and the USA that are perceived as threatening. Exporters of aquaculture salmon also see potential threats from Chile and Scotland. It was these five countries that the exporters wished to monitor, through competitor analyses, etc.

The strengths of the USA and Canada are in their proximity to the markets, in customs advantages, foreign exchange and prices. The latter may due to lower customs, but also to lower costs for distribution, raw material and labour. Their weakness was quality. This could be low or uneven compared to Norwegian seafood. Chile's strength is in price, while Scotland has

traditions in salmon and smoked products and international marketing of consumer goods with a high quality profile.

Stable deliveries combined with delivery capacity in the form of size, is a very important competitive factor in the USA. This is closely related to long-term ties to the market through restaurant and retail distribution. It costs to invest in menus, shelf metres and fresh goods counters. This together with high marketing costs and stable deliveries from, e.g., the meat and chicken industry, requires that the products must always be available.

As we mentioned earlier, the impression was that Americans are more preoccupied with price than quality. That price was considered very important can also be explained by the fact that in the period when the study was done, market prices were higher than what the market could accept in the long term. It is possibly the same factor that explains why foreign exchange developments were considered the greatest obstacle to maintaining market shares in the USA. The exchange rate had shown a negative development prior to the interviews, and this problem was fresh in the minds of the informants.

Transport expenses and risk were considered important barriers in the American market, while government regulations, and understanding of language and culture were not considered to be a

particular problem for the export industry within the next few years. Many feel that competition in the USA is very strong, which necessitates the use of considerable resources for marketing and channelling of support activities.

8. INTERNAL RESOURCES AND EXTERNAL COOPERATION

We pointed out earlier that a sensible strategy has to do with optimum adjustment between a company and the opportunities and threats in its environment. A strategy that does not take into account internal conditions and limitations, makes little sense because it cannot be realized. Large sections of this report described and discuss the relation of the company to its markets - primarily the USA. In our description of individual companies in Chapter 4, we dealt with internal resources and capabilities (cf. Chapter 4). We will therefore limit this chapter to include individual aspects that were discussed to a lesser extent, as well as some of the internal limiting conditions seen as a whole.

At the centre of an evaluation of a company's internal limiting conditions is the concept of capability. Capabilities are often a collective term for a company's internal resources, expertise, systems and structures (Holbek, 1984). This differs from external capabilities which have to do with negotiations and contract conditions with potential partners or opposing parties regarding joint expertise, resources and systems. The last part of this chapter will be used to discuss motives for cooperation and activities associated with marketing cooperation in the American market ("Forum USA").

8.1 Strong and weak points

Internal analyses are often based on a company's characteristics, with regard to strong and weak points (Lund and Lorentzen, 1980). Studies of internal analyses deal with the quality, quantity and efficiency of resources. What the strong or weak points are, and how they should be evaluated, depends on the company and the industry sector. The evaluations should always be made in relation to other companies or competitors. For example, in Chapter 7 we evaluated the strong and weak points of the different competitors, as viewed by the exporters.

In our questionnaire, we asked a direct question about strong and weak points in the company of the informants, in their export, distribution and marketing of seafood to the USA. The questions were formulated as open alternatives, with the possibility of listing 3-4 elements on each side. Only one of the companies altogether neglected to answer this question. Quality was without comparison what most of the companies considered their strong point, while nearly half mentioned continuity and delivery capacity. One company also mentioned large capacity as its strength. The third most important single element was experience and expertise. Expertise may be associated with production or market.

Around 20 % of the companies felt that reliability, trust and punctuality were their strong points. There were also a few cases where distribution advantages in the form of permanent customers and a company-owned foreign organization were mentioned. Between 15 and 20 % of the companies mentioned flexibility (in production, deliveries, many markets) in one shape or another as their strong side. Two of the companies mentioned having their own brand name as their strong side, while service, packaging and product spectrum were mentioned once each. Price or costs were mentioned by two companies.

There was less variety in their perception of their own weak points. Lack of resources or marketing expertise were mentioned most often by the individual companies. If we include the companies that mentioned lack of capital (i.e. for marketing), nearly half considered product development and marketing as their weak points.

Uneven and insufficient raw material supplies, as well as high and uneven prices, ranked next as weak points in the competitive situation of their companies. Some considered it a problem that they had big customers, or that their capacity was too small. One of the companies saw a lack of integration as a problem. With respect to price, a couple of companies mentioned the high cost level.

Two new companies regarded their lack of experience as a weak point, while we had five individual cases where exchange, distance, insolvency of customers, too few customers, too little diversification or too low degree of processing were considered problems.

Our general impression is that the exporters widely regard the Norwegian fishery industry as "strong" in a number of areas in relation to our competitors. This is particularly true of quality. This was also confirmed in Chapter 7, where they regarded our strongest competitors as weak in the area of quality. On the other hand, in the traditional Norwegian fishery industry we find an incentive system (pricing) for quality that is not very satisfactory. This often means that we get even quality, but not the top products for which there is a potential.

Salmon exporters, in particular, regard their product as being of top quality compared to other salmon or seafood. A number of articles and interviews in the trade press show that importers and customers are more or less in agreement that the quality of Norwegian salmon is uniformly good. An important factor behind their success is the streamlined distribution network that the salmon exporters have developed for fast sale of fresh products. This organization has also been the basis for increased sales of a number of other fresh sea products apart from salmon and trout.

While relative capability is best in the production and raw material areas, many feel that market orientation is too poor. This is also reflected in an organizational apparatus and an incentive system which are, to a high degree, oriented towards raw material and production. Little control of raw material deliveries, with resulting high and uneven prices, is regarded by the traditional seafood industry as one of its biggest problems. The possibilities of planning, of entering into long-term agreements and of producing and distributing brand name products become difficult propositions. Quite a number of companies wanted a greater degree of integration and control in the value creation chain.

8.2 Satisfactory availability of personnel and expertise

The companies that answered our questionnaire had between 2 and 1,000 employees. The total number of employees was 3,820, or a mean of 127 employees per company. The largest group was production employees, and the administrative staff amounted to around 11 % of the employees. Almost 160 persons were reported to work with sales in Norway (4.1 % of the total number of employees), while the number of sales people in the USA was reported to be around 70 persons. Sales per employee in Norway came to around 1.5 million Nkr. Sales per administrative employee were 14 million Nkr, while the corresponding figure per sales/export employee was 37 million Nkr annually.

Several companies involved in bulk sales and fresh fish trading have sales of close to 60 million Nkr per employee in sales and trading departments. On the other hand, there are companies dealing in brand name products with a high degree of processing that place great emphasis on marketing and sales work. Such companies may have sales per employee in sales functions of less than 15 million Nkr annually, a few even less. Sales per administrative employee (including sales) were around 10 and 20 million Nkr for approximately 40 % of the companies. A similar number have sales under 10 million Nkr, while a little less than 20 % have sales per permanent administrative employee of more than 20 million Nkr per year.

These figures should be interpreted in light of the fact that the companies in our selection differ greatly in structure and operation methods. While many have their own production units, others are only involved in sales and trading activities. In spite of this, we decided to calculate these figures in order to give an idea of the creation of value. For example, the figures tell us that resource consumption with respect to personnel is approximately five times smaller in trading activities than in marketing of company brand name products and highly processed products. Also involved here are what sales functions the company manages itself and what functions are delegated to others.

It has earlier been claimed that recruitment to the fishery industry is small, and that this applies particularly to personnel with expertise in marketing, economics and technology. In order to test this against the export branch of the industry, we asked the respondents to evaluate the availability of various types of labour and expertise. The evaluations were recorded on a 5 point scale, from "very poor" (1) to "very good" availability (5). In the table below, we ranked the evaluations according to an average value (Mean value), the percentage who recorded the evaluations "good" and "very good" (Good availability) as well as standard deviation (St. dev.).

Table 18. Manpower availability (N=28)

	Mean value	Good availa- bility No.	%	St. dev.
1. Expertise in language & culture	3.75	18	(64)	0.63
2. Expertise in economics	3.68	20	(71)	0.66
3. Expertise in marketing	3.46	16	(57)	0.87
4. Technological expertise	3.36	14	(50)	0.81
5. Expertise in product development	3.14	11	(38)	0.83
Management - intermediate	3.54	16	(57)	0.68
General labour	3.25	13	(46)	0.95

Quite many, or around 60 to 70 %, evaluate the availability of expertise in language/culture and economics as good. Only two companies (around 7 %) felt there was a poor availability of expertise in economics. The availability of marketing expertise

was considered relatively good, since more than half of the respondents gave the evaluations "good" or "very good". Almost 20 % had a "poor" supply of personnel in marketing. The availability of technological expertise was evaluated similar to marketing, but with somewhat poorer evaluations in a couple of companies.

Of the function areas that we dealt with in particular, product development came out the poorest. More than 30 % of the respondents gave the evaluations "poor" or "very poor" to the availability of this type of manpower. Although we did not ask about the value or importance of such manpower, we can probably conclude that the need for competent product developers is present within this group of companies.

Finally, we also asked about the availability of expertise in middle management. The evaluations were satisfactory, and similar to the availability of marketing personnel. This makes sense, since middle management is often involved in sales/marketing in regular export companies. The availability of manpower was considered "neither good nor poor" or "good" by most of the companies for most of the functions. Individual companies complained about a poor supply of qualified labour, and this also applies to production workers.

8.3 Profitability, solvency and financial resources

The profitability of traditional fish processing is generally low and irregular (Dreyer and Løvland, 1987, Olsen, 1987c). In the risky aquaculture industry, profit margins have periodically been high, but here there are also large variations between the companies (the Fisheries Directorate, 1987). As far as we know, there are no studies of the profitability of Norwegian export companies within the fisheries sector. On the other hand, also here we find a large variety of companies, where few are pure sales or trading companies.

It appears to us that most companies do not wish to disclose their accounting and balance figures. Only a little more than half (56 %) of those who otherwise answered our questionnaire, provided information about profitability and/or solvency (owners' equity). Among the companies that answered these questions, owners' equity was very low in relation to sales volume or total capital. If we also take into consideration the risks involved in exporting and fish processing, there is without doubt too little capital left for export activities.

An owner's equity of less than 2 % of total business volume, as is the case in several companies, is not much to fall back on in bad times. Since we were also quoted profit margins of less than one percent, we find no encouragement there either. A fourth of

the companies operated with a loss in 1987, while most balanced their accounts, or had a small positive profit margin. According to our evaluations, not much more than 10 % of all the companies have satisfactory profitability - meaning a surplus of more than 2 % (before balancing dispositions) in relation to total business volume.

The trading sector may appear as a hard margin branch, where free competition has pushed the margins down to a minimum. This applies particularly to fresh fish. Companies involved in processing, however, have the possibility of differentiating their products - and thus some degree of opportunity to make a certain profit.

Although individual traders periodically make money, long term profits are very low. With good payment security, the risk is not as great as, for example, in aquaculture. Neither are they burdened by large capital investments, or a permanent labour force, as are pure production companies. Their flexibility makes it possible to survive with the profit margins they have.

On the other hand, we can ask ourselves whether such margins encourage the continued development of the Norwegian export industry. It will always be a question of distributing the creation of value between catch, production and marketing/sales. With little capital and resources channeled forward in the value

creation chain, one cannot expect spectacular results. And here as elsewhere, the supply and proper use of resources will determine the results. We think that improved market orientation in all sectors of the fishery industry will help achieve better utilization of raw material and improved value creation. Without capital for export activities, the companies will not be able to do satisfactory marketing work. When it comes to the availability of borrowed capital, most of the exporters were relatively satisfied. Around half of the respondents stated that the supply of financial resources was "good" or "very good", while around 20 % felt it was "poor".

8.4 Raw material supply and production capacity

The supply of raw material, and thereby the utilization of capacity in the fishery industry, varies greatly from year to year, as well as during the year. The aquaculture industry and new catch and processing technology, on the other hand, provide opportunities to even out the fluctuations in raw material. In this way one can achieve a better adjustment of the utilization of capacity between fluctuations in raw material supplies and market demand and supply.

It is very difficult to measure actual capacity in production within the seafood sector. To what extent should one take into consideration seasonal variations, fish species and the process-

ing degree of products? What shortage factors should one consider: raw material, labour, technology? We tried to ask questions about capacity, and compare the results to factual purchases, but could make little sense of the answers.

Our question about capacity on the supplier side (raw material) in the form of finished goods produced during the course of a normal year (with "regular" product spectrum) was appropriate for half of the companies. Several of the companies had no production plants or other technical limitations, and therefore could not answer the question. For the plants that answered, capacity varied annually between 200 and 70,000 t in their own plants, with a mean of around 9,500 t. The total capacity for these fifteen plants was, in other words, close to 145,000 t annually.

A few more companies (18 out of 30) answered the question about capacity from permanent suppliers. The average capacity per company was here around 2,500 t, or 44,000 t total for 18 of the plants. A few of the companies also included other suppliers, so that the total capacity for the 22 companies that answered the question on capacity, was more than 190,000 t finished products. The average capacity of these companies was just over 8.700 t annually.

Around 65 % of the companies reported that the deliveries from their own plants and permanent suppliers were associated with

"good" or "very good" security. As expected, there was a bit more risk associated with "permanent" suppliers, but the difference was insignificant.

We tried to clarify capacity in distribution, sales or marketing. There is periodically a shortage in the distribution of fresh fish products by air. As for the trading companies, the question about capacity is of little relevance. Supply, demand and price set the limits for the products sold on this market. In some cases, personnel can be viewed as a shortage factor, but in the long run it is the demand and supply situation that sets the "actual" limits for the sales volume.

In our questionnaire study, we also asked about the supply of raw material divided into different quarters of the year. For each quarter, we asked the respondents to evaluate the degree of security in deliveries. Most of the companies said the supply of raw material is distributed evenly during the year with the exception of the second quarter. The period April-September also shows the highest insecurity in deliveries.

Deliveries of fresh salmon are the largest in the second half of the year, with a particularly large volume towards Christmas. This latter also applies to smoked salmon. Shrimp deliveries are the largest during the summer and towards the Christmas season, while for a few companies in the cod fish sector the first and

fourth quarter are the months with the best supply of raw material.

Based on an average evaluation, the sales of exporters are best in the fourth quarter, while security in deliveries is best in the first quarter. Seventy percent of the respondents felt there was "good" or "very good" security in deliveries during the first quarter, while 60 % gave the same evaluation for the fourth quarter.

Finally, we also included a general question where we asked the respondents to evaluate the supply of raw material. Only 15 % of the companies evaluated the supply as "very poor" or "poor", while no less than 63 % said the supply was "good" or "very good". In this context, we should take into consideration the time of our study. With the uncertainty and the fluctuations we have experienced periodically within the seafood sector, we can hardly interpret these results as absolute in a longer time perspective. However, if we were to draw a general conclusion, the results show that the exporters across the board evaluate the supply situation as good or satisfactory in relation to their market situation, capacity and their level of ambitions.

8.5 Utilize external capabilities in the form of cooperation

Cooperation between companies is to be regarded as part of a company's strategy. Even though many cooperative ventures are the result of chance, one-time historical events and the initiatives of other people, we believe it is important to emphasize that evaluations about cooperation should be included as a strategic consideration.

In the literature, we find a number of definitions of the term cooperation. A general approach is to view cooperation as the relations that develop between two or more formally independent units as a result of mutual agreements (oral as well as written) about future exchange of resources, joint activities or joint decision making (Norbäck, 1978). Such a definition covers the entire spectrum from the loosest and most informal arrangements, through functional cooperation to the establishment of large cooperative companies with their own organization.

Two new creations when it comes to collective export marketing of Norwegian fish and fish products, are "Project Japan" and "Forum USA". What these projects have in common is collective marketing of Norwegian quality products, and the development of quality for the respective markets. If one were to summarize the cooperative ventures in three catchwords, the activities under "Forum USA" can be said to involve:

- Marketing cooperation (collective/umbrella activities)
- Of a long-term, strategic nature.
- Between sectors or on a national level.

Profiling of quality and Norwegian identity are emphasized in the marketing guidelines.

Most of those who expressed an opinion about "Forum USA" found it to be a sensible venture, and had positive expectations. On the other hand, several companies had (often somewhat unfounded) negative things to say about "Project Japan". The exporters had quite definite and similar ideas about how "Forum USA" should work on measures of a long-term character, with careful planning in which the industry should take part with opinions and advice. The favourite expression was that it should begin "small" and make sure that "collective measures" were given priority, not "individual measures".

General industry opinions on cooperation

In our questionnaire, we asked the informants to freely comment on cooperation in the Norwegian fishery industry in general. The statements we obtained were overwhelmingly of a negative character. A not unexpected statement was that the structural condi-

tions (such as size), as well as different strategies, opinions and ideas in the industry, make cooperation difficult.

Others pointed out that the industry was too regulated, and that the organizational system was difficult to overview and poorly adapted to an export-oriented industry. One of the exporters felt that there were too many "small kings" and "world champions" in the fishery industry, and that this hampered cooperation and market orientation. Several claimed that there was often much "beautiful talk" about cooperation, but too many words and too few deeds.

In our questionnaire, we asked the following concrete question: "How does your company describe the climate for cooperation between Norwegian exporters and other parties in and outside the industry?" The response alternatives were listed on a 5 point scale from "very poor" (1), "poor" (2), "neither good nor poor" (3), "good" (4) to "very good" (5). We ranked the opinions in Table 19 according to the average value (Mean value). We also show the percentage of respondents who gave the response "good" or "very good" (marked "percentage good") and the standard deviation (marked "St. dev.")

Table 19. Exporters' evaluations of the climate for cooperation with other groups active in the fishery industry (N=29)

	Mean value	Per- centage "good"	St. dev.
1. With the Export Council of Norway ...	3.68	61	0.80
2. With research fellows	3.44	48	0.68
3. With the Export Committees	3.34	41	0.71
4. With the Sales Associations	3.04	30	0.92
5. With Norwegian authorities	2.97	24	0.76
6. With interest organizations	2.96	18	0.73
7. With exporters	2.93	27	0.87

Norwegian exporters appear to have a good relationship with the Export Council of Norway. Nobody evaluated this relationship as bad, but over 60 % of the respondents felt relations were "good" and/or "very good". Since so many of these companies on several occasions have participated in trade fairs and other activities organized by the Export Council, we believe this opinion to be rather representative.

Cooperation with research fellows and the Export Committees (often by implication 'fresh fish') is also considered satisfactory. The informants stated that the research fellows do a good job, but that their work very probably could be structured in a different way. Not all of the exporters said they read all the reports from the research fellows, and they claimed that information about prices arrived too late. Instead it was other

type of information and the fact that they monitored the fish markets in general, that improved the general impression.

Cooperation with sales organizations, Norwegian authorities and interest organizations were evaluated by most of the respondents (in 50 to 70 % of the cases) as being in the middle of the scale, i.e. neither good nor bad. Internal cooperation within the sector, between exporters, was considered poor and/or very poor in almost 30 % of the cases. One could perhaps wish that this relation was better, but we must also take into consideration that they regard each other as competitors for both markets and deliveries. If we supplement this evaluation with the statements we obtained through our interviews, there were many who wanted a better climate of cooperation with other exporters.

In one of our previous reports, we identified various public measures available to assist in export and internationalization (Hanssen and Olsen, 1988). In this work we asked how well informed the respondents felt they were about such measures. Around half of them felt they had some knowledge both of financial support and of expertise and counselling support. A third of the respondents admitted that they had "little" or "no" knowledge of public financial assistance for export and internationalization measures. The corresponding figure for expertise and counselling was 25 %, or one fourth of the informants.

International and cross-sectorial cooperation

Our questionnaire also included a question as to whether the fishery industry ought to establish more formal cooperation with other sectors of Norwegian export activities. To this question, 55 % answered yes and 45 % a definite no. In the group of 'no' answers we found all categories of companies, but a preponderance of companies with strong specialization and narrow product spectrums. We find this somewhat surprising since it would improve their possibilities of a complimentary range of products.

To our question as to what industries they should cooperate with, the answers were clear: the food and beverage industries. Often mentioned as complimentary products were dairy products, cheese, sauces, crackers and aquavit^{*}. It was also pointed out that cooperation would have to be with leading companies capable of bringing expertise to the fishery industry, preferably in the areas of product development, marketing and distribution. Distribution and marketing were also the function areas that were mentioned most often as a basis for cooperation.

Several within the fishery industry have also spoken up for a higher degree of international cooperation. One example of international marketing cooperation for cod fish in the USA is the North Atlantic Seafood Association (NASA). Through Frionor

^{*} Transl. note: Scandinavian liquor.

and the Nordic Group, Norway participates together with Iceland, Canada and Denmark with the objective of increasing sales and stabilizing the demand for frozen fish products in the USA (Olsen, 1988c). In our questionnaire we asked in what areas and with whom we should cooperate on the international level, in order to obtain competitive advantages or avoid undesirable competition.

The answers varied according to what products or raw materials the companies sold. Within the cod fish sector, Canada, Iceland and Denmark were often mentioned in areas such as catch quotas, productions and laws. As we mentioned in our report on the need for studies and information (Olsen, 1988a), the industry shows a serious interest in being up-to-date and prepared for changes in the supply sector (deliveries and product composition). This applies not only to the cod fisheries, but also to aquaculture. What they most often mention is market adjusted production, which at the same time also eliminates price competition.

Shrimp exporters want better cooperation with Greenland and Iceland in areas such as production regulation, prices and marketing. The obvious reason is the competitive situation the shrimp industry has experienced during the last few years. Active price competition has reduced the profit margins to a minimum, and prices have been low and irregular.

Apart from exchange of information and cooperation in order to regulate production supply, some companies mention marketing and distribution cooperation. A few describe it in a very general way as "between fish producing nations", while others mention a concrete country such as the USA. Without it being explicitly specified, this may be an expression of a desire to stand together in the face of competition for customers from, for example, the meat industry. In order to increase the consumption of fish in many countries, united and coordinated efforts are necessary - also in the form of collective marketing. Another element is increased margins through a reduction in price competition.

8.6 Priority to cooperation within "Forum USA"

As we mentioned in Chapter 2, the motives for cooperation can be separated into two main groups: Increased competitive strength (advantages of large-scale activities) or reduced transaction costs (less uncertainty). Based on important success factors within the fisheries and aquaculture, we listed 18 different conditions that we felt could be potential motives for cooperation. These were rated on a 5 point scale from "unimportant" (1) to "important" (4) and "very important" (5).

In the table below we ranked the answers according to an average value (Mean value). We also included the percentage of answers

that together contained "important" (4) or "very important" (5). This column is marked "percentage important". Finally, we included a figure for standard deviation (St. dev.).

Table 20. Prioritized motives for cooperation (N=25)

MOTIVES FOR COOPERATION	Mean value	Percentage "good"	St. dev.
1. Obtain clearer profile for Norwegian fish in the USA	4.20	88	0.63
2. Reduce internal price competition ..	4.04	72	1.08
3. Continuous deliveries	3.92	68	1.13
4. Marketing advantages	3.88	76	0.71
5. Obtain long-term agreements	3.84	68	1.08
6. Ensure high and stable quality	3.75	71	1.27
7. Reduce uncertainty in the supply ...	3.67	67	1.11
8. Better access to information	3.64	60	1.02
9. Larger customers	3.64	60	1.20
10. Stronger negotiation position vis-a vis customers	3.58	65	0.88
11. Better access to capital	3.58	54	0.97
12. Improved supply coordination	3.58	58	1.00
13. Product specialization	3.56	48	1.13
14. Greater distribution strength	3.40	56	1.02
15. Better access to expertise	3.36	48	0.93
16. Complimentary products	3.22	43	1.21
17. Advantages in product development ..	3.12	40	1.14
18. Joint administration	2.32	8	0.97

We interpreted the most important motive to be advantages of scale in marketing. The desire to achieve a clearer profile for Norwegian fish in the USA was rated as "important" and/or "very important" by 88 % of those who answered. The corresponding figure for "marketing advantages" was no less than 76 %. In this way, one can say that the objectives of "Forum USA" are in line with the ideas and expectations in the industry.

We also received confirmation of this result in the interviews and in the open questions where the informants were allowed to freely express their opinion about "Forum USA". A statement such as: "Forum USA should be a publicity venture that will create a collective image for Norwegian fish (high quality) in the USA", can be mentioned as an example of several similar opinions.

The work to reduce transaction costs through reduced internal price competition and reduced supply/delivery uncertainty was rated as "important" or "very important" by around 70 % of the respondents. The latter must also be evaluated in connection with increased competitive strength through continuous deliveries and a desire for long-term agreements (reduced uncertainty). Large variations in raw material deliveries make the fishery industry somewhat special when it comes to the potential for internal competition and uncertainty about deliveries.

Delivery continuity may also have something to do with the fact that we have several small companies without sufficient strength and security in the supplier segment. For the aquaculture industry, it means the importance of having several farms, preferably spread out along the coast, in order to compensate for different periods of sexual maturity, and to reduce the risk of diseases breaking out in individual regions. Even if many have given low priority to the motive for complementarity in the

product spectrum (16th place), we should not forget that continuous deliveries and long-term contracts are not just a matter of uncertainty, but this is a problem that can be related to and solved by complementarity in the product spectrum.

In Table 20, the advantages gained through increased power and negotiation strength end up a bit down the list. On the other hand, 65 % of the respondents rate stronger negotiation position vis-à-vis customers as an "important" and/or "very important" motive for cooperation. The corresponding figures for greater distribution strength and the need to satisfy big customers were 56 and 60 %, respectively. In other words, increased cooperation in order to achieve weight, size and greater negotiation strength is considered an important motive for most Norwegian fish exporters.

Quality is considered by the exporters as our most important competitive advantage. In order to meet the increased investments in quality by a number of our competitor nations, many feel that Norway as a fishing nation must also intensify and reformulate its work in this area. More than 70 % of the respondents rated efforts to ensure a high and stable quality as an "important" and/or "very important" motive for cooperation.

Most of the motives we listed received evaluations that on average were above the mean value, or "somewhat important". The

only exception was joint administration, where only 8 % of the respondents felt this was an important motive for cooperation in the distribution and marketing of seafood in the USA.

Concrete cooperative activities associated with Forum USA

In the discussion of the motives of exporters for cooperation, we also dealt with general and concrete areas, measures or functions that the industry feels are important areas for cooperation. In order to find out what areas the export industry would give priority to as cooperative activities associated with Forum USA, we attempted to arrive at a concrete approach by asking the following question:

"If Norwegian authorities granted 10 million Nkr to collective marketing of Norwegian seafood in the USA, how would your company suggest that these funds be distributed or prioritized?"

In the questionnaire, we then listed 16 alternatives plus one "other" to be rated on a 5 point scale from "no priority" (1), through "some priority" (3) to "high priority" (5). In Table 21^{*} we prioritized the ratings according to the average value in the same way as in Table 20. The first column shows the average value (marked Mean value), while column 2 (marked " % important") shows

^{*} Transl. note: The original refers incorrectly to tables 20 and 21 as 4.1 and 4.2.

the percentage of respondents who gave the ratings "high" and/or "very high" priority. Finally, column 3 shows the standard deviation (St. dev.).

Table 21. Rating and priority of various marketing measures (N=26)

MEASURES	Mean value	% important	St. dev.
1. Collective advertizing/PR	3.80	72	0.94
2. Quality assurance	3.48	56	1.23
3. Market analyses	3.43	50	0.98
4. Invite customers/media to Norway ...	3.31	42	1.10
5. Develop expertise	3.17	50	1.07
6. Norwegian weeks in important cities/areas	3.12	50	1.22
7. Trade fair participation	3.11	44	1.13
8. Develop market plans	3.07	43	1.22
9. Test marketing	2.93	26	1.09
10. Research fellowship arrangements ...	2.92	36	1.13
11. Product development	2.74	26	1.17
12. Support for travels/customer visits.	2.58	32	1.28
13. Joint information offices	2.56	22	1.20
14. Develop recipes/cook books	2.35	8	0.96
15. Joint sales offices in the USA	2.31	23	1.32
16. Joint greenhouses/industry hotels...	1.68	4	0.79

The different activities were identified, evaluated and selected on the basis of general marketing activities and other important functions that are, and could be, the object for cooperation. We also included the specific measures that the work group and others gave priority to in connection with Forum USA.

In the same way as the principal motivate for cooperation within Forum USA was to achieve a more distinct Norwegian profile in the market, collective advertizing and PR activities were given the highest priority as a concrete task. Nearly three fourths (72 %) of the respondents felt that these measures should be given "high" or "very high" priority.

In our interviews, we found that this did not involve just paid advertisements in trade journals, magazines and newspapers. General information activity aimed at current target groups, where positive aspects of "Norway" or "Norwegian" could be emphasized, set the overall tone of responses. For this work, one could use video films, seminars, trade fairs and other events to promote Norway and Norwegian seafood. The work to invite customers/media to Norway, and to arrange Norwegian weeks in important cities/areas, was given "high" and/or "very high" priority by about half of the informants.

In view of the fact that quality is an important competitive factor, at the same time as Norwegian exporters gave it the highest priority in their company mission, it was quite natural that quality assurance was given "high" and/or "very high" priority by 56 % of the respondents. Several informants pointed out the fact that if Norway is to have a collective Norwegian profile with e.g. the logo "Seafood from Norway", it should be supported by a system of quality assurance. Without such a

system, the value of the logo would be undermined since one could mix in or sell products that do not keep the correct quality standard. Several of the fishing nations that are following Norway's example with a profile of quality, have actually secured the logo with their own guarantee or control system.

In one of our previous reports, we dealt with the need for market analyses, and in Table 21 above we see that half of the respondents gave this measure high priority as a collective task based on public funds. The same applies to development of expertise, often with the implication of expertise in marketing and communication (language, culture).

Trade fair participation, as previously mentioned, is often used to sell Norwegian seafood, meet customers and market Norwegian fish in international contexts. The priority given to cooperation with the Export Council of Norway, as well as the evaluations in the table above, indicate that trade fairs are important to relatively many Norwegian exporters.

When it comes to support for more company specific measures, such as product development, test marketing and support for travels and customer visits, we often encountered the evaluations "low" or "some" priority. The travel activities that have taken place in connection with "Project Japan" were mentioned by several informants as "not the right way of doing things".

There appears to be relatively little interest in having "Forum USA" channel its funds into collective investments in the USA in the form of information offices, sales offices or greenhouses/industry hotels. These alternatives received the rating "no priority" by 30-45 % of the respondents. We feel that this supports the statement "to begin small" and not to invest in fixed expenses before one has learned to cooperate on individual projects and measures of shorter duration.

8.7 Summary

A strategy which does not take into account internal company conditions or strategic possibilities, would make little sense since it could hardly be successfully realized. We previously pointed out that exporters adjust differently to their environment. Some of this can be explained by a deliberate market choice, but there are also a number of internal resources as well as the presence or lack of expertise that separate potential strategic adjustment from current adjustment.

If we are to evaluate the strong points of the industry, as viewed by our informants, it must be on the basis of quality, delivery capacity and experience. A smaller number also mentioned reliability and flexibility. These elements also coincide well with the basic elements of the company missions within the

industry, which are also described by the companies as important success factors. We have not yet tested whether this is an expression of a pure desire or strategic signals, or whether it is based on substance.

When it comes to weak points, lack of resources or expertise for marketing were most often mentioned as problems. Next came insufficient raw material supplies, too big customers, or too little capacity.

In our interviews, several informants complained about the organization of the industry and the lack of incentive systems that were correct from a market point of view. In order to avoid uneven prices and little control of deliveries and quality, a greater degree of vertical integration was a desire expressed by quite a few companies.

The availability of expertise was satisfactory, but poorest in product development areas. Profitability and solvency are poor, and allow little room for long-term investments in product development and market penetration. On the other hand, we see several examples where available capital is invested in increased production capacity. In this respect we see several signs that production and volume orientation still overshadow market orientation among a number of export companies.

The Norwegian fishery industry has old traditions of different forms of cooperation. These measures are often regulated by laws and bureaucratic arrangements (Hallenstvedt, 1982) that have often led the industry to interpret the concept negatively as "centralization" and "dictatorship". According to our evaluations, the fishery industry has not been very quick to adjust to "new" forms and models of cooperation that are often between the two extremes of "centralization" and "the free market".

During the last few years, this trend has changed somewhat and new cooperative companies have been established in aquaculture (Hanssen, 1987) and functional cooperation has begun across the otherwise quite strong divisions between different sectors in the traditional fishery industry. Examples of "new" ventures with untraditional objectives are "Project Japan" and "Forum USA".

The exporters feel that the cooperative climate in the Norwegian fishery industry in general is "both good and bad" depending on what areas we look at. Cooperation with the Export Council of Norway is rated as good, while cooperation with interest organizations and other exporters is rated as bad by about one third of the respondents.

The most important motive for cooperation is the advantages of scale in marketing, but also efforts to reduce internal price competition and reduce uncertainty in supply/deliveries were

rated as "important" or "very important" by 70 % of the respondents. On the other hand, the statement "to avoid bureaucracy" was used by several, at the same time as they gave low priority to joint administration as a motive for cooperation.

The cooperative activity that was given the highest priority was collective advertizing and PR activities, with the purpose of achieving a better and clearer profile for Norwegian seafood on the American market. Quality assurance was also given "high" or "very high" priority by 56 % of the respondents. The reason for this is that there can be no collective quality profile unless these efforts are combined with quality controls that enforce correct, uniformly good quality.

Market analyses and expertise development were given high priority by about half of the exporters. The same goes for trade fair participation. When it comes to support for measures that are more company specific, such as product development, test marketing and support for travel and customer visits, these activities are often given low priority. Even if several informants saw the need for collective investments or increased internationalization in the USA in the form of, e.g., processing and aquaculture fish, most felt that this was not a task for "Forum USA".

9. SUMMARY AND EVALUATIONS

During the last few years, the Norwegian seafood industry has experienced considerable growth, and in 1987 the value of its exports was more than 10 billion Nkr. The seafood markets are growing in the entire western world in the wake of the "health wave", improved fresh food distribution and the availability and increased quality of the products. In this market, Norway is still strong, but competition is greater than ever and the reorganization and "fighting capacity" of new and established competitor nations demand changes and new thinking.

As with the seafood industry in several countries, sections of the Norwegian industry are fragmented, with a number of small, independent producers and exporters. There were more than 70 companies in 1987 that exported seafood in one or another manner just to the USA. Again we have the impression that the Norwegian seafood industry has not come far enough when it comes to adjusting to bigger customers, increased concentration, specialization, market orientation, increased investment in product development and marketing, and higher priced entrance tickets to markets with a good growth potential. This is particularly relevant if Norway wants to remain in the first division in a very competitive food market.

Just as in industries such as textiles and ready-made clothing, wood processing and travel, the fishery industry, in cooperation with its sector organizations and public authorities, has discovered the need for increased cooperation in international marketing and internationalization. Cooperation in this area is not a recent phenomenon, but the objectives and means are different today. The fact that competitors are getting bigger, and distributors and customers are joining together in large chains (restaurants, fast-food and retail), definitely requires cooperation and organization in the production and marketing of Norwegian seafood. On several occasions, initiatives have been taken by both public authorities, the catch sector and sector organizations to increase the degree of cooperation within catch, processing and marketing of seafood. The industry itself has on several occasions been reluctant and given clear signals that they do not want "centralization" and measures forced upon them from the outside.

There could be many reasons why the industry does not always see the advantages of cooperation, reorganization and marketing measures as tools. A lack of interest may be the result of a lack of need, that they manage best on their own, or that they do not find ventures or partners that supplement their product/market strategies. Other reasons could be a lack of trust, or a desire to protect their relative advantages from competition from other companies within the sector.

Cooperation is a strategic decision and should be based on long-term results. If companies, for several reasons, function only one day at a time, and are always busy solving their day-to-day problems in order to survive, their desire and capacity to make strategic choices and contracts will often be neglected. They also require resources in the form of capital, personnel and capacity. Possibly, several of these requirements are absent, and thus there are no incentives for a total reorganization and improved market orientation among producers and exporters of fish, shellfish and aquaculture products.

Two new ventures in export cooperation on a national level are "Project Japan" and "Forum USA". The objectives of these ventures are to initiate and develop a collective and national profile for Norwegian seafood in these markets. Quality and origin are to be the foundation and prepare the way for individual companies to improve their own distribution and marketing.

Based on the "Forum USA" cooperation, we have in this report identified and evaluated market and distribution strategies, industry conditions, and strategic prerequisites for Norwegian seafood. With improved and more systematic knowledge of the strategic choices, needs, opinions, attitudes and resources of the exporters, we will be in a better position to evaluate and

select possible cooperation measures: What activities are suitable for cooperation, and in what order of priority?

Better insight into the everyday operations, limiting conditions and opinions of the exporters will also provide a basis for a strategic approach to various cooperative ventures: When cooperation and reorganization are desirable - how can this be accomplished in a voluntary, goal-oriented and offensive manner? So far there has been little systematic research into how exporters perceive their environment, and how and why they decide upon strategic priorities and structural adjustments. Based on the problem areas we selected, this report attempts to provide a systematic insight and description of strategic priorities and prerequisites for seafood exports - with focus on the American market.

The purpose of this report was not to provide concrete answers to cooperative problems and possibilities within the Norwegian export industry. Instead, we described and evaluated the strategic priorities and prerequisites of the industry in such a way that private and public parties, who directly or indirectly initiate or contribute to cooperation, know where the exporters stand and what paths they are taking. In two previous reports, we presented in a concrete form information needs, motives for cooperation and proposals for collective activities within the framework of "Forum USA". This present report is of a more

general nature, and could thus set the stage for other measures than USA cooperation.

9.1 Mission and activity area

Correct and stable quality is without comparison the most important element in the mission of Norwegian producers and export companies. This is followed by delivery capacity in the form of continuity and volume adjustment. For companies that are involved in trading, with quick decisions about many small customers, trust and flexibility are of great importance.

Cooperation to reinforce the concept of Norway as an all-round supplier of seafood with continuous deliveries, and with correct and uniform quality, should be intensified and marketed internally in all sectors of the industry. The fact that quality is rated by most companies as the most important success factor for our food industry in the future, means that Norway, as a fishing nation, should continuously upgrade its demands on quality, at the same time as high quality should be supported by incentive systems and expertise.

Stable and market-adjusted deliveries (delivery capacity) to customers in and outside of the USA should also be an area of cooperation and coordination. In these areas, there are active efforts between several exporters, while barriers in the form of

a lack of integration and limitations in the choice of product/-raw material spectrum cause problems with strategic adjustment in many companies.

On the other hand, several companies feel that width in the product spectrum does not have to be an impediment, if they concentrate on supplying certain distributors (e.g. wholesalers). Focusing on and specializing in product-market combinations absolutely has its advantages, but also its disadvantages. We find specialization in sectors such as canned goods, shrimp, shellfish and aquaculture, while companies such as Frionor and the Nordic Group sell a number of products in the frozen fish category.

The fact that we found a clear distinction between product-diversified and product-specialized companies cannot be explained just as the result of legal regulations. Several companies considered it an advantage to be specialized towards the wholesalers' market, and adjusted this to internal prerequisites in competition, production capacity and supply of raw material. However, if a company wants to reach further ahead in the distribution chain, greater demands are made on total deliveries and width/depth of product spectrum.

Product choice is by many determined on the basis of raw material supplies and production capacity. This applies particularly to

companies with emphasis on production activities. Pure sales companies choose products more on the basis of market needs and the margins they can obtain, while companies involved in brand name distribution must consider both market and production. Continuity in prices and deliveries is here of crucial importance.

Fully 80 % of the companies felt their products had a high market profile. With our definition of what constitutes a brand name product, this is not correct. Company profiling of packaging and large packages for institutional households, in our opinion, cannot be defined as "brand name products". Our opinion of brand names is related to the end-consumer knowledge of name and logo.

The USA, followed by France and West Germany, were considered by the companies as their most important individual markets (geographic scope). Special attention would be given to these markets, as well as Japan followed by Italy and Spain, during the next few years. Seen in this context, ventures such as "Project Japan" and "Forum USA" prioritize the correct market countries. Long-term plans to give priority to individual countries for marketing cooperation in Europe could perhaps centre on France, West Germany, Italy and Spain.

Among the Norwegian companies, only Frionor has its own production company in the USA, as well as six permanent companies that

can be considered sales representatives. There is little interest in establishing company-owned production plants in the USA, but several companies considered it probable that they would set up their own sales offices. Since the Marketing Council for Aquaculture Salmon now is establishing itself heavily in New York, it is possible that several will see opportunities to associate themselves with this cooperation instead of investing in their own offices.

9.2 Organization and strategic scope

In this work we have thoroughly reviewed the structural and organizational patterns of more than 30 Norwegian export companies (seven of these are described in Chapter 4). Together with our questionnaire material, we arrived at three "prototypes" of export companies. In their purest form, we labeled them as follows:

- "Marketing companies" with strategic emphasis on processing and marketing of brand name products. These companies have a varied product spectrum, segmented markets with a certain degree of concentration. Through their own brand name products they have set up barriers that provide stability and protection against rapid and unforeseen price fluctuations.

- "Sales and trading companies" with strategic emphasis on sales and trading of products from independent producers, and with different forms of ties to their suppliers. These companies operate in a marginal branch with little protection, where the capacity for flexibility requires wide and speedy distribution. The planning horizon is narrow and customers are often wholesalers, processing plants and in some cases institutional households in the import countries.

- "Individual producer and export companies" is the third group and it differs from the two previous in many ways. Their strategic emphasis is on production, but their market horizon and sales form resemble those of the sales companies. Apart from trading their own products, they buy raw material from other producers for resale. The argument for handling their own sales is often the need for uninterrupted contact with the market. This reinforces their capacity for flexibility - reacting quickly and correctly to changes in the markets.

Several of the companies in the first and last group have a certain degree of full integration downward, including the catch segment within the traditional seafood sector, or in roe and fat production within aquaculture. Their overall strategic emphasis is in one of the areas of production, sales or marketing (brand

name). Even Nestle considers their brands as their most important asset.

These strategically different groups have several different motives for establishment or export. The establishment of Norway Foods shows that the international brand name segment has no room for many small and independent producers, who periodically out-compete each other in price, and who do not have the economic capacity and expertise for professional marketing in a competitive food market.

Individual sales and trading companies have been established by people experienced in sales and international marketing, where they offer contracts to several suppliers. They may also have been created as producer generated associations, where several producers want to design and control their own products for the markets. The motive may be dissatisfaction with existing sales and distribution networks, or a pure desire for improved value creation and decision-making through controllable, smaller units. These companies are more dependent on individuals than the other types of companies, because purchasing and sales are often based on personal relations, networks and trust.

We find some of the same motives in cases where pure production units establish themselves with some weight in sales and trading. There are several advantages in having all functions within the

same company, but there is also a certain danger of spreading limited time and resources among too many functions, and in this way not obtaining weight and stability vis-à-vis the market. They compensate for this by trading products with low transaction costs, and look for growth through volume and expansion of capacity.

An important question that we should ask ourselves is whether the Norwegian seafood industry needs all these companies and types of companies in the export sector, and whether a strategy that is more correct from a market point of view could be achieved through structural reorganization, coordination and cooperation. Without thorough knowledge about the different markets and their requirements, it is difficult to give a satisfactory answer to this question.

We see obvious problems in achieving the right balance between production of brand name goods with its demands for stability in prices and deliveries, and selective sales on spot markets. In the past, we have seen several times how conventional markets for dry, salted, and split cod demand large quantities at favourable prices, and then for long periods do not experience any profitable demand. It is rational for individual participants to obtain from, e.g., the spot markets whatever they are willing to pay at a particular time. In the long term, this can be destructive for

the stabilizing portion of the market in a continuous competition for raw material and customers.

The problem here as elsewhere is that if structural changes are to be successful, a number of conditions must be satisfied. With the great variety we find among the different companies, with their expertise and resources in different areas, the demand for complimentarity appears to have been met. It appears that the subject of trust fares a little worse, as does the capacity to develop voluntary and balanced cooperation before a crisis situation or a financial institution makes the decision for the company. While small companies have so far been successful in the sale and trade of fresh products, increased investments in sales by retail chains and the sale of brand name products could change this competitive picture.

The fact that cooperation must be learnt and trust must be developed, makes it sensible to begin small. On the other hand, reorganization progresses too slowly compared to other industries and compared to what the market demands and expects. In this respect, ventures such as "Project Japan" and "Forum USA" can be important contributions to improved adjustment between the exporters, between the various industry sectors, as well as outward toward the markets. If these and other ventures are to give the taste for more of the same, their usefulness must be greater than their costs. For example, the proper measures must

be carried out in a sensible order. We are here thinking of measures that the industry itself considers to be priorities, reviewed in this report and in some of our previous reports.

If the Norwegian export industry is to develop a more united national export strategy, as suggested from various quarters, internal marketing must be developed on several levels. Mutual trust and respect can be achieved through knowledge, information and reward systems developed to reach objectives in, e.g., reorganizations, growth, increased value creation and quality.

One of our most important experiences from the interviews we carried out, is the realization that internal marketing in the Norwegian fishery industry periodically may be even more important than external marketing of Norwegian seafood. The efforts that have been devoted within, e.g., aquaculture to quality and coordinated production control, show that such measures are useful and provide a sensible branch culture and understanding. They also show the necessity of realizing that one faces continuous tasks that cannot be solved just by the occasional strong move, but that there is a need for continuous monitoring and improvements.

9.3 Priority target groups and marketing mix

Choice of customer segments varies greatly from company to company. In the USA, we have two companies (Frionor and Norway Foods) that are operating with emphasis on brand name products for the end consumer within the retail sector. A larger number are working directly towards large and small units within the restaurant and catering sector. Exporters of fresh salmon and trout are essentially working towards importers and wholesalers in important fish markets. This group expresses a clear desire to enter the retail market in parts of the USA.

It is our opinion, that a change in the distribution pattern, with direct export of, for example, fresh products to restaurant and supermarket chains, would require reorganization, structural change and cooperation among Norwegian exporters. If they wish to achieve better profit margins, increase their portion of value creation, and get closer to the end consumer, as many do, they will face greater demands on size, expertise, capital and quality assurance.

A transition from spot mentality to long-term agreements also requires a mental and physical business reorganization. The break-up between a Chilean company and Safeway provided us with an example of how not to invest in the retail sector. The supermarket chain had planned a big campaign for coho salmon from

Chile during Lent in the USA. A better offer on the spot market from Japan left Safeway without any salmon. This happened in spite of the fact that they were willing to pay a competitive price to save the campaign ("Seafood Trend", March, 1988). A half-hearted effort will hardly succeed in a market as competitive as the USA. However, if one manages to organize in a manner adjusted to the market, the opportunities will immediately improve.

More than 60 % of the respondents felt that cooperation could be of help in achieving greater distribution strength, and at the same time bring companies closer to the end consumer in the USA. A form of cooperation was collective monitoring and information gathering/exchange about central market and distribution conditions in the USA. As to market analyses, the industry sees a need for competitor analyses, specific product/segment analyses, studies on distribution conditions and knowledge about buying and consumption behaviour. Market expertise declines the closer we get to the consumer, which of course is due to the fact that most exporters do not feel a direct need for such information, in view of their distribution strategy in this market.

Most of their sales volume goes through a few, permanent customers. Several companies pointed out that business morals are low in the USA, and many complained about systematically late payment from some customers. Purchasing and sales are often based on short-term contracts, one of the reasons being that the

parties work in the bulk market of fresh products, with great demands on quick decisions and flexibility. Trust through social contact and regular customer visits is important in order to reduce risks and transaction costs. Price is an important competitive tool, and the exporters therefore have good insight into prices and price changes.

Norwegian companies spend a total of a little over 50 million Nkr on publicity and market support in the USA (1987). Most of this money is spent by Norway Foods to market Norwegian sardines. This company has a market share of between 30 and 40 % (value) of the sardine market in the USA, and this is at a price that is 50 % higher than those of most of their competitors. Active and continuous marketing combined with good quality are credited for the success. Frionor entered the retail sector in 1987, and at the end of the year its products were sold in 13,000 American supermarkets. Following-up on this investment will increase Frionor's total marketing expenses considerably in the coming years.

The other companies use their marketing funds for trade fair participation and customer visits, as well as advertisements in trade magazines. The Publicity Committees, the Marketing Councils and the Export Council of Norway are also involved in several activities. In one of our previous reports we reviewed these measures (Hanssen and Olsen, 1988). The Export Committee for

Fresh Fish has a fisheries research fellow in New York. One of the most important tasks for this individual is to monitor the "Fulton Fish Market", but the research fellow also performs a number of other tasks for the exporters.

Apart from increased investments in collective marketing/profiling of Norwegian seafood on the American market, we also see the need for increased investments when it comes to market monitoring and network development. We believe that one or several highly competent individuals with good knowledge of the Norwegian fishery industry can function as central listening-posts in the USA market. The tasks should consist of identifying opportunities and threats of a certain strategic importance, and to report back to Norway in a clear, easy to understand manner. These individuals should also develop and maintain a network to Foreign Service personnel, research environments and universities with Norwegian students in the USA. It is also important to establish a network to certain Norwegian companies in the USA, as well as to key individuals with Norwegian interests (e.g. of Norwegian descent).

The individuals should be associated with the Export Council of Norway so that synergy and an environment for collective insight across industry branches can be achieved. Reasonable funds should be made available for travelling activities.

9.4 Competitors, competitive strength and barriers

Norwegian exporters view the competition from the seafood industry of other countries as the most important element in a future market. They are, to a lesser degree, afraid of competition from new establishments or from the food industry in general. We suspect that the exporters underestimate competition from, for example, the meat and chicken industry in the USA. Particularly since we now see how the beef and pork industry is making efforts to do away with the myths about meat, how it is actively investing in product development, marketing and quality assurance, as well as in increased cooperation and market orientation (Olsen, 1988d).

Canada, Iceland and the USA are reported to be the most important competitor countries. Within aquaculture, many also mentioned Chile and Scotland. Very few exporters could point to particular companies or businesses as "threats", which also shows that the industry is quite fragmented in many countries. Furthermore, many have little, in-depth knowledge of a detailed competition picture. One of our suggestions is to carry out, on a collective basis, competitor analyses with the possibility of monitoring and regular follow-up. A systematic review of plans, measures, annual reports and other secondary information can provide valuable insights into individual companies, industry sector plans and national ventures.

Freight expenses and risks (price, foreign exchange, competition) were evaluated as important barriers to future success in the American market. Government regulations, as well as understanding of language and culture, were not considered particular problems for the export of seafood in the future.

On the other hand, several companies feel that efforts to increase expertise in marketing and product development are important, and that this is a collective task.

In our interviews with key informants in the industry, a few mentioned the possibility of cooperation across national borders. Such cooperation now exists in the form of NASA (the North Atlantic Seafood Association) in the frozen fish sector. In view of the competitive situation of the 90's, there is definitely a need to develop these ideas further, particularly as a counterweight to a more aggressive meat and chicken industry.

9.5 Internal resources and external cooperation

Quality was without comparison what most companies regarded as their strong point, while close to half mentioned continuity and delivery capacity. The third most important element was experience or expertise. A few saw as their strength reliability, flexibility or their own brand name. On the other hand, they

evaluated their toughest competitors as strong in price, but weak in quality. Several Norwegian exporters agreed that their market orientation could be better, but they lacked the capital for such activities. Many felt that organizational structures and legal regulations were a structural handicap for the Norwegian fishery industry. Several wanted a higher degree of vertical and horizontal integration.

The technical capacity of the Norwegian seafood industry is large, but capacity utilization is low. We see this as related to a low degree of processing for a number of products. We also see it in the fact that we find a number of examples of companies that export or trade values of up to 60 million Nkr per marketing employee, and they do it without long-term contracts for price or quantity. In a number of companies, the desire to invest and the motives for investing in increased technical capacity appear greater than the interest in investing in more marketing activities.

Most companies feel that the availability of labour is satisfactory. However, several expressed a need for product development expertise.

Profitability and solvency within large portions of the export sector are low. The trading sector is a tough margin branch where free competition and low entry and exit barriers press margins

down to a minimum. Low investments in fixed assets, as well as a capacity for flexibility makes it possible for them to survive on their margins. Companies involved in production or processing can, in good times, achieve high revenues and better margins. On the other hand, these companies have large investments in capital, technology and personnel, and this makes them vulnerable and less flexible when it comes to deliveries and demand conditions.

The exporters feel that the cooperative climate is "both good and bad" and can be improved in the future. The most important motive for cooperation is the advantages of scale in marketing, but cooperation to reduce internal price competition and delivery uncertainties was also mentioned by many as very important. Within "Forum USA", collective advertizing and PR activities to achieve a better and clearer profile for Norwegian seafood were mentioned as the most important single measures. Quality assurance, expertise development and collective market analyses/-monitoring were also given high priority by more than half of the respondents.

In the previous discussions we have presented some proposals for collective activities that should benefit the entire export industry. If Norwegian exporters are to work towards a collective mission, functional cooperation or projects, then the objectives, means and effects should be marketed internally within the

industry. The work to create a collective basis and understanding will not come about without efforts, it requires continuous follow-up.

A collective Norwegian mission should be tied to quality, delivery capacity and trust. But if substance in the concepts is not ensured at the same time through knowledge, understanding, systems, control and monitoring, marketing will have little long-term effect. In these efforts, it is also important to make the whole value creation chain the target. The objective is to get the entire fishery and aquaculture industry to think and act in a coordinated manner. It is only when products, support organization, services and business morals keep what they promise, that the usefulness of a collective Norwegian profile on the American market will become clear.

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APPENDICES

APPENDIX 1. SALES OFFICES AND SALES REPRESENTATIVES IN THE USA

Subsidiaries

- | | |
|-------------------------|--|
| 1. Norway Food A/S | King Oscar Inc., Newton, CT |
| 2. Frionor | Frionor USA, Inc., New Bedford, MA |
| 3. Nordic Group A/S | Nordic Group Inc., Boston, MA |
| 4. J.H. Fremstad A/S | Fremstad Seafood Inc., Vancouver, BC.
(Fremco, Inc., Northport, NY) |
| 5. Reinhartsen & Co A/S | Norwegian Seafood Inc., San Rafael, CA |
| 6. Oddvin Bjerge A/S | Scan American Seafood Company Inc., Seattle WA |
| 7. Faco A/S | Faco N.Y. Inc., Oyster Bay, NY |
| 8. Saco Marketing A/S | Saco Inc., New Jersey |

Sales representatives *Salgsrepresentanter*

- | | |
|---------------------------------|--|
| 1. Sun Star International | R.J. Cornelius Inc., New York, NY |
| 2. Lerøy Group A/L | Aquanor Marketing Inc., Chestnut Hill, MA |
| 3. Brødrene Aarsæther A/S | Aristra Industries Inc., Darvein, CT |
| 4. Skaarfish-Mowi | Atlantic Trading Co, Inc., San Francisco, LA |
| 5. Austervoll Fiskeindustri A/S | Austervoll Seafood Inc., Larkspur,
CA San Francisco |
| 6. Haleco-Norway | Harvey A. Lipman Co. Inc., Ipswich, MA |

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

Tromsø 1987.09.30

Our ref.
1624/87-
SOO/bj

DOCUMENT ANALYSIS - FORUM USA

After meetings between the various branch organizations, the Export Council of Norway, the Department of Fisheries, etc., we are about to establish a Forum USA. The working group which has been developing guidelines for the forum, sees it as its task to initiate a number of collective measures in order to give Norwegian fish a distinct position on the American market.

In this connection, the Norwegian Fishery Research Council (NFFR) has allocated research funds to undertake collective studies and expertise developing activities in association with Forum USA. The Institute of Fishery Technology Research (FTFI) has been given the task of carrying out a preliminary project where the first objective is to identify available resources and the need for studies in and about the American market.

Data gathering will take place in three phases: Document analysis, interviews and a questionnaire study. Before we go out and ask selected Norwegian exporters about their marketing activities, available resources, business operations, etc., we will acquaint ourselves in advance with the structure and characteristics of these companies. We plan to do this by asking you to send us:

- Your company prospectus.
- Annual reports.

- Any other documents that illustrate your company.
- Any documents that may be of relevance in association with Forum USA (market analyses/plans ...).

All documents sent to us will be regarded as confidential. But we would appreciate it if you would mark/stamp particularly sensitive documents, in order to identify business secrets.

Thanking you in advance,

Yours sincerely,

INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

(signature)

Svein Ottar Olsen

Project Manager

INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

Tromsø 1987.09.30

Our ref.
1971/87-4305
SOO/11k

COLLECTIVE MARKETING OF NORWEGIAN SEAFOOD IN THE USA - "FORUM USA"

The "Forum USA" project has as its goal to increase value creation and reinforce the quality perception of Norwegian seafood in the American market. This means collective efforts to create a good foundation for improved identity and acceptance of Norwegian fish products in the USA.

With funds from the Norwegian Fishery Research Council, the Institute of Fishery Technology Research (FTFI) was given the task of identifying the limiting conditions of the companies, their resources, ambitions and experiences of exporting Norwegian fish to the USA. No less important is the task to identify the ideas of the companies, their opinions and resource requirements for marketing, information, expertise and other types of measures in connection with internationalization and exports to the American market. We will also identify attitudes and opinions about marketing cooperation, and ventures such as "Forum USA".

By undertaking such a preliminary project, we will be better able to take into consideration the requirements of the industry, its priorities and ideas about ventures in export cooperation and marketing of Norwegian seafood.

Enclosed you will find a questionnaire which we would appreciate if you could complete as soon as possible, and not later than

December 20th, 1987. We wish to emphasize that all information given will naturally be considered confidential.

The questionnaire is comprehensive in order to make room for the great variety that exists within the Norwegian fishery industry. For many companies, a number of the questions will not be relevant, so that you should be able to fill it out quite quickly. We have also used "closed" response alternatives to make it easier to complete.

For those companies that have a company prospectus (Norwegian or English) we would appreciate if you could send us a copy together with the questionnaire.

We thank you in advance for your assistance, which we believe will have positive results for the Norwegian fishery industry. It is important to us to get the exporters' ideas, opinions and needs in connection with FORUM USA.

Yours sincerely,

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

(signature)

Svein Ottar Olsen

Project Manager

Encl.: Questionnaire - Forum USA

Return envelope

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

Tromsø 1987.12.08

Our ref.
2004/87-4305
SOO/11k

INTERVIEW ON COLLECTIVE MARKETING OF NORWEGIAN SEAFOOD IN THE USA

We refer to our telephone conversation of Dec. 12th and thank you for your positive attitude to an interview in connection with the establishment of "Forum USA". We agreed that I could visit your office on:

Tuesday, December 15th, at 9 AM.

The "Forum USA" project has as its goal to increase value creation and reinforce the quality perception of Norwegian seafood in the American market. This means collective efforts to create a good foundation for improved identity and acceptance of Norwegian fish products in the USA.

With funds from the Norwegian Fishery Research Council, the Institute of Fishery Technology Research (FTFI) was given the task of identifying the limiting conditions of the companies, their resources, ambitions and experiences of exporting Norwegian fish to the USA. No less important is the task to identify the ideas of the companies, their opinions and resource requirements for marketing, information, expertise and other types of measures in connection with internationalization and exports to the American market. We will also identify attitudes and opinions about marketing cooperation, and ventures such as "Forum USA".

By undertaking such a preliminary project, we will be better able to take into consideration the requirements of the industry, its priorities and ideas about ventures in export cooperation and marketing of Norwegian seafood.

Enclosed you will find a questionnaire which we will use as a framework for the interview. It would be nice if you could answer the concrete questions in advance so that in the interview itself we could concentrate on the more "open" alternatives. In this way we would also save time.

The questionnaire is comprehensive in order to make room for the great variety that exists within the Norwegian fishery industry. For many companies, a number of the questions will not be relevant, so that you should be able to fill it out quite quickly. We have also used "closed" response alternatives to make it easier to complete.

Thanking you in advance,

Yours sincerely,

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

(signature)

Svein Ottar Olsen

Project Manager

Encl.: Questionnaire - Forum USA

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

Tromsø 1988.03.07

Our ref.
469/88/4305
SOO/11k

INDUSTRY ANALYSIS - FORUM USA

In one of our reports in association with Forum USA, we are planning to provide a picture of selected sales and export companies. In order to provide a more concrete and realistic picture of differences among Norwegian companies, we would like to present the cases of seven companies. Your company is one of them.

In our interviews and questionnaire we have gathered some confidential information, while other information is of a "public" character. As far as we can evaluate, we believe we have obtained important elements in the cases, that are of such a character that they can be published. We have used the type of information that can be found in newspaper and magazine interviews as the basis for our evaluations.

In order not to be in danger of revealing "secrets", or give incorrect information about these companies, we have enclosed the portion of the report that deals with your company. We would appreciate it if you could read through it and make your own comments. It is particularly important that you weed out any information of a "confidential" character.

Unless we hear from you before April 5th, 1988 we will consider the case approved to be a part of our report.

Thanking you in advance.

Yours sincerely

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

(signature)

Svein Ottar Olsen

THE INSTITUTE OF FISHERY TECHNOLOGY RESEARCH

CONFIDENTIAL

ATT: "Forum USA"
 c/o Svein Ottar Olsen
 P.O.Box 677
 9001 Tromsø

1. COMPANY AND COMPANY DESCRIPTION

1.1 Name of company

1.1 Established in year

1.2 In what category(ies) would you place your company?
 Mark the appropriate descriptions.

- - Independent incorporated/family company
- - Co-owned sales association (A/L)
- - Cooperative company
- - Production company with export rights
- - Fully integrated company
- - Multinational company
- - Subsidiary

2. COMPANY GOAL AND STRATEGY

2.1 What elements agree most with your company's mission? Mark off and rank the three most important elements. Mark the most important "1", the second most important "2" and the third "3".

Quality	—	Reliability	—	Efficiency	—
Service	—	Flexibility	—	Delivery capacity .	—
Trust	—	Product spectrum ..	—	Other	—

2.2 What product categories/product varieties do you regard as your company's specialties?

.....

- 2.3 How would you characterize your company's present product composition? Please, mark what extent each statement is a good or bad description of the situation in your company.

	Very good descrip- tion	Poor descrip- tion	Neither good nor bad	Good descrip- tion	Very good descrip- tion
We invest in a <u>wide</u> /varied product spectrum	—	—	—	—	—
We offer <u>several</u> different fish species ...	—	—	—	—	—
We invest in a <u>high</u> degree of processing	—	—	—	—	—
We invest in a <u>high</u> market profile	—	—	—	—	—

- 2.4 What markets do you regard as your company's primary markets? Rank them from 1-6, where 1 = most important, 2 = second most important, etc., until you have ranked the 6 most important market countries.

Norway	—	West Germany	—	England	—
Sweden	—	France	—	USA	—
Finland	—	Italy	—	Japan	—
Denmark	—	Spain	—	South America .	—
Other	—	Other	—	Other	—

- 2.5 Among these countries, which do you personally regard as promising for the Norwegian fishery industry in the coming five years?

.....

- 2.6 Which two markets will your company give special attention to within the next two years?

.....

- 2.7 Of your company's own exports, what type of customer is primarily your most important direct recipient in the export market (regardless of geographic market)?

<u>Target groups</u>	Not important	Little important	Somewhat important	Important	Very important
Brokers/distributors	—	—	—	—	—
Agents	—	—	—	—	—
Wholesalers	—	—	—	—	—
Processing plants	—	—	—	—	—
Private catering	—	—	—	—	—
Public catering	—	—	—	—	—
Hotels/restaurants	—	—	—	—	—
Retailers/supermarkets ..	—	—	—	—	—
Others	—	—	—	—	—

- 2.8 Does your company plan to change its choice of target groups within the next three years? No ... Yes, somewhat ... Yes, considerably ...
If so, towards what target groups?

3. COMPANY ACTIVITIES IN THE USA MARKET

- 3.1 What is your company's main strategy in the USA market?
.....
.....
.....

- 3.2 What were your company's total exports to the USA in 1986?
_____ million Nkr. 1987 estimate _____ million Nkr.

- 3.3 Does your company have written marketing plans for activities in the USA for the coming year? Yes ... No ...
For the next 3 years? Yes ... No ...

Product composition

3.4 What main categories of products does your company export from Norway to the USA? Also state quantity (tonnes).

(amount in % of total fish species)						
	Bulk	Catering	Consumer	Total		Tonnes
Cod fish	_____ +	_____ +	_____ +	= 100 %		_____
Shrimp	_____ +	_____ +	_____ +	= 100 %		_____
Salmon	_____ +	_____ +	_____ +	= 100 %		_____
Herring/canned goods	_____ +	_____ +	_____ +	= 100 %		_____
Other	_____ +	_____ +	_____ +	= 100 %		_____
Total tonnes						_____

3.5 Which product category do you consider will be your company's most important in the USA in the coming three years?

3.6 How large an amount (value) is sold under company brand name?
_____ million Nkr.

Brand name?

Customers and distribution

3.8 Does your company have subsidiaries (more than 50% ownership) in the USA?

Production companies/processing? No ____ Yes ____ If yes:

Where/locality?

Sales offices? No ____ Yes ____ If yes, where?

Other activity?

3.9 Is your company a partial owner of other companies?

No ____ Yes ____ If yes, what companies?

3.10 Did your company previously have establishments in the USA?

No ____ Yes ____ If yes, why was the activity closed down or liquidated?

.....

3.11 Does your company have concrete plans for establishments in the USA within the next 3 year period in the following areas? What would you consider the probability for establishments?

	No proba- bility	Little proba- bility	Some proba- bility	Great proba- bility	Very great probabil- ity
Production	—	—	—	—	—
Processing	—	—	—	—	—
Distribution/sales	—	—	—	—	—
Other	—	—	—	—	—

3.12 What percentage of exports from Norway to the USA was soled directly to the various external customers/chains and your own subsidiaries in the USA in 1986? State estimate in % of sales value.

	Customers	Own company
Brokers/distributors .....	.....	.....
Agents .....	.....	.....
Processing plants .....	.....	.....
Institutional households .....	.....	.....
Retail/super markets .....	.....	.....
Other .....	.....	.....
Total	100 %	100 %
Value (in 1000 Nkr)	_____	_____

3.13 Will your company try to enter new distribution channels during the next three years? No _____ Yes _____
If yes, what channels and with what products?

3.14 How many customers does your company have in the USA (estimated according to the number of business addresses your company sent invoices to in 1986)? Number _____.

3.15 How many are considered permanent customers? Number _____.

3.16 What percentage of your company's exports to the USA went through your largest customer in 1986? _____ % of total sales.

3.17 What percentage of you company's export value went through long-term programs/contracts in 1986?

Price: In 3 months _____ % In 1 year _____ %
 Quantity: In 3 months _____ % In 1 year _____ %

3.18 Will your company establish more or fewer long-term delivery contracts in the future (1988/89)?

Fewer _____ Unchanged _____ More _____ Many more _____

3.19 How often do representatives from your company travel to the USA for customer visits during one year? (1986)

Number of trips: _____

3.20 Would a Forum USA or another form of marketing cooperation be of help to your company in order to achieve greater distribution advantages in the USA?

	No import- ance	Little import- ance	Some import- ance	Great import- ance	Very great import- ance
Better customer contact ..	_____	_____	_____	_____	_____
Greater distribution	_____	_____	_____	_____	_____
strength	_____	_____	_____	_____	_____
Get closer to the end	_____	_____	_____	_____	_____
consumer in the USA	_____	_____	_____	_____	_____

3.21 Below are a number of statements about your company's involvement in distribution and marketing in the USA market. Please mark to what extent each statement is a good or bad description of the situation in your company.

	Very good descrip- tion	Poor descrip- tion	Neither good nor bad	Good descrip- tion	Very good descrip- tion
The product choice for consumer target groups /end consumers is <u>monitored</u> _____	_____	_____	_____	_____	_____
We <u>know</u> the purchase criteria of end consumers of our products	_____	_____	_____	_____	_____
Product choice for selec- ted distribution channels is being <u>monitored</u>	_____	_____	_____	_____	_____
We <u>know</u> what customers we want in each distribution channel	_____	_____	_____	_____	_____
We <u>know</u> the most important distribution channels	_____	_____	_____	_____	_____
We <u>know</u> how to get in con- tact with key individuals in the various channels ..	_____	_____	_____	_____	_____
We <u>know</u> the market volume for each channel	_____	_____	_____	_____	_____
We <u>know</u> the purchase criteria for each channel	_____	_____	_____	_____	_____
We <u>prefer</u> long-term contracts/ programs	_____	_____	_____	_____	_____

3.22 Below you will find a number of statements about pricing and knowledge about prices. Please indicate to what extent each individual statement is a good or bad description of the situation in your company.

	Very good descrip- tion	Poor descript- tion	Neither good nor bad	Good descrip- tion	Very good descrip- tion
We <u>know</u> the price situation in the markets for our product groups	—	—	—	—	—
We <u>compare</u> the retail prices of competing products	—	—	—	—	—
We <u>know</u> the profit and pricing systems of the retailers	—	—	—	—	—
Our price system is based on a price list	—	—	—	—	—
We <u>operate</u> with a clear bonus and rebate system ..	—	—	—	—	—
Our price and sales con- ditions are <u>known</u> to all our customers	—	—	—	—	—
We <u>make</u> price agreements with other Norwegian com- panies to avoid price pressure	—	—	—	—	—

Market penetration and communication

3.23 Below you will find some statements dealing with various elements of market penetration and communication. Please indicate to what extent each individual statement is a good or bad description of the situation in your company.

	Very good descrip- tion	Poor descript- tion	Neither good nor bad	Good descrip- tion	Very good descrip- tion
We <u>budget</u> for marketing/ sales expenses each year (% of sales)	—	—	—	—	—
We have developed <u>written</u> marketing plans	—	—	—	—	—
We often <u>organize</u> promotions with our customers	—	—	—	—	—
We <u>give</u> our customers finan- cial support to market our products	—	—	—	—	—

3.24 Estimate your company's total costs in 1986 for:

- Product development: _____ 1000 Nkr.
- Marketing: _____ 1000 Nkr, whereof
- in the USA: _____ 1000 Nkr.

3.25 How are your sales and marketing activities distributed among various areas (% of total expenses)?

	Total	USA
Test marketing	_____	_____
Trade fair participation	_____	_____
Customer visits (exclud. fairs) ..	_____	_____
Customer invitations	_____	_____
Advertisements/PR	_____	_____
Market analyses	_____	_____
Other	_____	_____
Total	100 %	100 %

3.26 To what extent would a Forum USA help improve your company's marketing efforts in the USA?

No importance	Little importance	Some importance	Great importance	Very great importance
—	—	—	—	—

3.27 To what extent do you feel that a Forum USA is a good or not very suitable measure to make Norwegian seafood known among American consumers?

A very good measure	A good measure	Does not make any difference	Not a very suitable measure	A waste of time
_____	_____	_____	_____	_____

Market information about the USA

3.28 How would you characterize the availability of market information about the USA in the following respects?

	Very bad	Bad	Neither bad nor good	Good	Very good
- Supply situation	1	2	3	4	5
- Inventories	1	2	3	4	5
- Quantity development	1	2	3	4	5
- Market potential	1	2	3	4	5
- Market shares	1	2	3	4	5
- Price conditions	1	2	3	4	5
- Competitors	1	2	3	4	5
- Customers/segments	1	2	3	4	5
- Buying habits	1	2	3	4	5
- Eating habits	1	2	3	4	5
- Distribution conditions	1	2	3	4	5
- New products	1	2	3	4	5
- General market trends	1	2	3	4	5
- Economic development	1	2	3	4	5
- Laws (regulations)	1	2	3	4	5
- Credit information	1	2	3	4	5

3.29 Has your company undertaken its own market analyses/studies about conditions in the USA during the last five years?

No ___ Yes ___ If yes, state how many ___

What analyses?

.....

Who did the analyses?

.....

Competitors and competitive climate

3.30 To what extent has your company's competitive situation changed during the last three years?

Less competition	Unchanged competition	Somewhat stronger competition	Considerably stronger competition
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_____	_____	_____	_____
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3.31 In what areas do you experience stronger/weaker competition?

	None	Little	Some	Strong	Very strong
Raw material suppliers	_____	_____	_____	_____	_____
Competition for qualified labour .	_____	_____	_____	_____	_____
Competition from new establish- ments in the sector	_____	_____	_____	_____	_____
Competition for customers and market shares	_____	_____	_____	_____	_____
Competition from substitutes	_____	_____	_____	_____	_____
Internal competition from the Norwegian seafood industry	_____	_____	_____	_____	_____
Competition from the seafood in- dustries of other nations	_____	_____	_____	_____	_____
Competition from the food in- dustry in general	_____	_____	_____	_____	_____

3.32 What do you consider to be your company's strong and weak points with respect to export, distribution and marketing of seafood in the USA?

Strong points

.....
.....
.....

Weak points

.....
.....
.....

3.33 What competitive factors do you consider essential for the American market?

	No import- ance	Little import- ance	Some import- ance	Great import- ance	Very great import- ance
- Product quality	1	2	3	4	5
- Marketing support	1	2	3	4	5
- General customer service	1	2	3	4	5
- Stable deliveries	1	2	3	4	5
- Delivery capacity/size .	1	2	3	4	5
- Delivery capacity/product spectrum	1	2	3	4	5
- Price/value	1	2	3	4	5
- Reliability/trust	1	2	3	4	5
- Other	1	2	3	4	5

3.34 What barriers do you consider the greatest and most important to the establishment and maintenance of market shares in the USA during the coming five years?

	No import- ance	Little import- ance	Some import- ance	Great import- ance	Very great import- ance
- Risk	1	2	3	4	5
- Custom barriers	1	2	3	4	5
- Import quotas	1	2	3	4	5
- Food product controls ..	1	2	3	4	5
- Exchange developments ..	1	2	3	4	5
- Freight expenses	1	2	3	4	5
- Language and cultural understanding	1	2	3	4	5
- Distribution barriers ..	1	2	3	4	5
- Marketing expenses	1	2	3	4	5
- Capital requirements ...	1	2	3	4	5
- Competitive climate	1	2	3	4	5
- Norwegian laws	1	2	3	4	5
- Lack of government support	1	2	3	4	5

3.35 What countries do you regard as your company's strongest competitors in the USA (incl. the USA) in the coming five years? 280

Country	Their strength	/ weakness
1.....		
2.....		
3.....		
4.....		

3.36 If you were to carry out a market analysis based on countries, to which two countries would you give priority?

1..... 2.....

3.37 Is there a particular company/business that you would like to have an analysis of/more information about?

1..... 2..... 3.....

3.38 What type of competitor information do you consider as very important to study?

	No import- ance	Little import- ance	Some import- ance	Great import- ance	Very great import- ance
- Product supply	1	2	3	4	5
- Inventory conditions ..	1	2	3	4	5
- Cost structures	1	2	3	4	5
- Prices	1	2	3	4	5
- Market strategies	1	2	3	4	5
- Product development	1	2	3	4	5
- Customer base	1	2	3	4	5
- Other	1	2	3	4	5

4. RESEARCH NEEDS RELATED TO THE USA MARKET

- 4.1 The Norwegian Fishery Research Council (NFFR) has allocated funds for collective research activities related to FORUM USA. What problem areas do you consider to be of current interest?

.....

- 4.2 Would your company be able to contribute financially to any of these collective tasks? No ☐ Yes ☐
 If yes, what tasks?

- 4.3 Below is a list of some areas that could be the object of analyses and studies. How would you evaluate the usefulness of such research?

	No useful- ness	Little useful- ness	Some useful- ness	Great useful- ness	Very great usefulness
General development trends in the macro environment (raw material, economic trends, demography, poli- tics, laws)	—	—	—	—	—
General market descriptions /trends (potential, growth, shares, trends)	—	—	—	—	—
Specific product/segment analyses	—	—	—	—	—
Profile analyses of Norwegian seafood, Norwegian products or companies	—	—	—	—	—
Distribution analyses/chain creation	—	—	—	—	—
Consumption patterns and consumer behaviour	—	—	—	—	—
Competitor analyses/competi- tive climate	—	—	—	—	—
Analyses of new products ...	—	—	—	—	—

Technology analyses (new technology) — — — — —

Success factors in the USA market — — — — —

4.4 Is there research that you would support if the results remained confidential between you and the commissioning party?
.....
.....

4.5 Do you consider ventures such as "Project Japan" and "Forum USA" to be good or bad for Norwegian fish exports?
Comments:

5. COOPERATIVE ACTIVITIES RELATED TO FORUM USA

5.1 How would your company describe the cooperative climate between Norwegian exporters and other parties within and outside the industry?

	Very bad	Bad	Neither good nor bad	Good	Very good
- Between the exporters	1	2	3	4	5
- With interest organizations .	1	2	3	4	5
- With the sales organizations	1	2	3	4	5
- With Norwegian authorities ..	1	2	3	4	5
- With the Export Council of Norway	1	2	3	4	5
- With the research fellows ...	1	2	3	4	5
- With the Export Committees ..	1	2	3	4	5

5.2 Should the Norwegian fishery industry establish more formal cooperation with other sectors of Norwegian export activities?

No ___ Yes ___

If yes, what industries?

In what areas?

- 5.3 In what areas and with whom should we intensify international cooperation in order to obtain competitive advantages in marketing or in order to avoid undesirable competition?
 What countries?
 In what areas/functions?

- 5.4 If Norwegian authorities were to grant 10 million Nkr for collective marketing of Norwegian seafood in the USA, how would your company suggest that these funds be distributed, or to what priority areas?

	No priority	Little priority	Some priority	Great priority	Very great priority
- Product development	0	1	2	3	4
- Test marketing	0	1	2	3	4
- Trade fair participation ..	0	1	2	3	4
- Travel/customer visit support	0	1	2	3	4
- Collective advertizing/PR .	0	1	2	3	4
- Invite customers/media to Norway	0	1	2	3	4
- Develop recipes/cook books	0	1	2	3	4
- Norwegian weeks in import- ant cities/areas	0	1	2	3	4
- Market analyses	0	1	2	3	4
- Develop marketing plans ...	0	1	2	3	4
- Joint information offices .	0	1	2	3	4
- Joint greenhouses/industrial hotels	0	1	2	3	4
- Joint sales offices in USA	0	1	2	3	4
- Research fellowship arrange- ments	0	1	2	3	4
- Expertise development	0	1	2	3	4
- Quality assurance	0	1	2	3	4
- Other	0	1	2	3	4

- 5.5 Should the Norwegian fishery industry buy into processing and/or distribution in the USA? No ___ Yes ___ If yes, in what areas?

	<u>Products</u>	<u>Locality</u>
- Processing		
- Catering		
- Retail		
- Other		

5.6 Is your company well acquainted with the support activities offered by public institutions/banks for internationalization and/or marketing in the USA?

	No knowledge	Little knowledge	Some knowledge	Good knowledge	Very good knowledge
- Financial support	0	1	2	3	4
- Expertise assistance ..	0	1	2	3	4

5.7 The motives for cooperation are many. Below you will find some important factors in favour of cooperation. Among these, which do you consider to be important motives for your company to enter into possible cooperation on distribution and marketing of seafood on the USA market?

	Not important	Not very important	Somewhat important	Important	Very important
- Joint administration ...	0	1	2	3	4
- Better access to expertise	0	1	2	3	4
- Marketing advantages ...	0	1	2	3	4
- Obtain a more distinct profile for Norwegian fish in the USA	0	1	2	3	4
- Ensure high and stable quality	0	1	2	3	4
- Advantages in product development	0	1	2	3	4
- Greater distribution strength	0	1	2	3	4
- Complimentary products..	0	1	2	3	4
- Continuous deliveries ..	0	1	2	3	4
- Bigger customers	0	1	2	3	4
- Obtain long-term contracts	0	1	2	3	4
- Better access to information	0	1	2	3	4
- Better access to capital	0	1	2	3	4
- Stronger negotiation position vis-à-vis customers	0	1	2	3	4
- Improved coordination of supplies	0	1	2	3	4
- Reduced uncertainty in supplies	0	1	2	3	4
- Reduced internal price competition	0	1	2	3	4
- Product specialization .	0	1	2	3	4

- 5.8 Free comments on cooperation within the Norwegian fishery industry in general, and within FORUM USA in particular?

6. YOUR COMPANY'S RESOURCES AND INTERNAL CONDITIONS

- 6.1 Your company's total number of employees in 1987?

	Norway	Abroad
Production/processing	_____	_____
Administration	_____	_____
Whereof marketing/sales ..	_____	_____
Total	_____	_____

- 6.2 Sales volume in million kroner 1985 1986 1987
 Total sales (million Nkr) _____
 Export through own company _____
 Sales to Norwegian exporter _____

- 6.3 Owners' equity and profitability
 (in 1000 Nkr) 1985 1986 1987
 Owners' equity as of Jan. 1 _____
 Annual surplus after interest
 and depreciation _____

Raw material supply and production capacity

- 6.4 What is your capacity on the supply side (raw material) during a "normal year"? Estimate in tonnes of finished products, with your "regular" product spectrum. How much certainty is associated with the various quantities from year to year?

	Tonnes	Very poor certain- ty	Poor certain- ty	Neither poor nor good cer- tainty	Good certain- ty	Very good cer- tainty
Own plants	_____	_____	_____	_____	_____	_____
Permanent suppliers ..	_____	_____	_____	_____	_____	_____
International suppliers	_____	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____	_____
Total	_____	_____	_____	_____	_____	_____

6.5 How would you characterize your company's raw material situation in general during the year?

	Estimate %	Very poor certain- ty	Poor certain- ty	Neither poor nor good cer- tainty	Good certain- ty	Very good cer- tainty
1st quarter	_____	_____	_____	_____	_____	_____
2nd quarter	_____	_____	_____	_____	_____	_____
3rd quarter	_____	_____	_____	_____	_____	_____
4th quarter	_____	_____	_____	_____	_____	_____

Opinions about the supply of resources

6.6 Below you will find some statements about the supply of important resources. How would you characterize your company's supplies of these resources?

	Very poor supply	Poor supply	Neither poor nor good supply	Good supply	Very good supply
- Raw material	1	2	3	4	5
- Marketing expertise	1	2	3	4	5
- Product development expertise	1	2	3	4	5
- Expertise in economics	1	2	3	4	5
- Language/culture expertise	1	2	3	4	5
- Management - intermediate management	1	2	3	4	5
- Technological expertise ...	1	2	3	4	5
- Labour in general	1	2	3	4	5
- Financial resources	1	2	3	4	5

Questionnaire completed by: Name
Position

THANK YOU FOR YOUR HELP